SOLVENCY AND FINANCIAL CONDITION REPORT

DOMESTIC & GENERAL INSURANCE EUROPE AG

Company Registration Number: HRB 30859

For the year ended 31 March 2021

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Notes and explanations:

- Solvency Capital Requirement: The final amount of the Solvency Capital Requirement is still subject to supervisory review.
- Rounding: The values presented in the following are automatically rounded. Rounding differences may therefore occur.

DIRECTORS' REPORT

The Directors of DGIEU are responsible for preparing the Solvency and Financial Condition Report ("SFCR") for the year ended 31 March 2021 in accordance with the Federal Financial Supervisory Authority in Germany ("BaFin") rules and Solvency II Regulations ("Solvency II").

We certify that:

1. the SFCR has been properly prepared in all material respects in accordance with the BaFin rules and Solvency II Regulations; and

2. we are satisfied that:

    a. throughout the financial year in question, the Company has complied in all material respects with the requirements of the BaFin rules and Solvency II Regulations as applicable to the Company; and

    b. it is reasonable to believe that, at the date of the publication of the SFCR, the Company has continued to so comply, and will continue to so comply in future.

Approved by the DGIEU Management Board

And signed on behalf of the Board

Mark Bridges

Date: 05 July 2021

SUMMARY

The Solvency and Financial Condition Report is a central element of the Solvency II reporting requirements of insurance companies and serves to create transparency about the economic situation of the Company.

In this SFCR, essential qualitative and quantitative information on Domestic & General Insurance Europe AG ("DGIEU" or "Company") is published.

The present SFCR for the financial year ended 31 March 2021 ("FY21") is the second SFCR of DGIEU. Therefore, comparisons to the previous year are included for the first time.

DGIEU is a German insurance company, authorised and supervised by BaFin. DGIEU received its regulatory approval from BaFin on 5 April 2019.

All amounts in this report are presented in euros, rounded to the nearest thousand unless stated otherwise, which is DGIEU's presentation currency.

Essential information on the individual chapters of the SFCR is listed below:

A. Business and Performance

DGIEU is a German regulated insurance company and part of the Domestic & General Group ("Group"). DGIEU is 100% owned by Domestic & General Insurance PLC ("DGI") located in the UK.

The Group has established DGIEU as a solution allowing the Group to continue to support its long-standing customer base in the EEA despite new limitations which have arisen from the UK exiting the EAA (i.e., Brexit).

DGI has transferred the writing of new business to DGIEU for all relevant clients from 1st November 2019 for all EEA business.

A material change compared to the last reporting period is the transfer of the back-book of DGI's EEA business to DGIEU under Part VII of the Financial Services and Markets Act 2000 ("Part VII transfer"). The transfer of the back-book was completed in accordance with the end of the Brexit transition period by 31 December 2020.

The Group is a leading specialist provider of appliance care services for domestic appliances and consumer electronic products in its home UK market and a specialist provider in several international markets.

The business of DGIEU comprises the EEA business of the Group. Based in Germany, this also includes the business of the four branches in Spain, Italy, France, and UK (solely for Republic of Ireland business). DGIEU also serves Portugal, Belgium, Netherlands, Austria, and Poland.

The Company's profit and loss account shows that gross premiums written in the year was €99.314k (FY20: €33.052k) and earned income in the year was €-44.646k (FY20: €-1.524k). The loss before tax was €-32.561 (FY20: €-14.558k), due to the following:

(1) Since the business started in FY20 without the renewal book (which was in DGI until December 2020 and transferred by 31 December 2020, "Part VII transfer"), DGIEU was not fully benefiting from the profit of that book to offset the acquisition cost weight in FY21.

(2) Additionally, acquisition costs are not allowed to be deferred on the balance sheet and are accounted for as expense under local GAAP. DGIEU expect stable future profits starting in FY25.

The local GAAP balance sheet shows the Company's financial position with net assets of €11.456k (FY20: €24.820k).

B. System of Governance

DGIEU's system of governance is effective and proportionate to the nature, scale, and complexity of its activities. DGIEU's organisation ensures that the risks arising from the business model are identified, assessed, and managed.

Based on the Group’s system of governance, DGIEU's system of governance was established in FY20. In the reporting period (FY21), DGIEU's system of governance was further developed and refined to reflect the individual needs of the DGIEU business model and to comply with regulatory requirements.

C. Risk Profile

DGIEU has embedded a comprehensive risk management framework, which includes (as a minimum) a bi-annual refresh of its risk profile. Ensuring good customer outcomes is at the heart of DGIEU’s business. Due to this focus, the Company sets its risk appetite at an appropriately prudent level to ensure that key risks to customers are identified, managed, and mitigated wherever possible.

DGIEU has implemented a comprehensive risk management process for the identification, analysis, and evaluation of risks.

DGIEU's principal risks (material risks) particularly belong to the following risk categories: Operational risks, Financial risks, and Conduct risks.

The Company manages these risks through appropriate measures, which are regularly assessed and reviewed. DGIEU's three most significant risks measured by the Solvency Capital Requirement in the reporting period were as follows:

- Non-life underwriting risk
- Counterparty default risk, and
- Operational risk

DGIEU’s underwriting risk is managed through underwriting controls, pricing policies, approval procedures for new products, regular review of performance and monitoring of emerging issues.

DGIEU structures the levels of counterparty default risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties.

DGIEU’s overall risk profile has been refreshed in consideration of Covid-19 across a number of risk categories, including business continuity as well as technology and information security. The pandemic has led to resilience gains in the transition to home-working, with reduced reliance on physical locations to perform important business services. Technology and information security risks are managed through a home-working policy and information security framework, including protection against cyber security incidents.

D. Valuation for Solvency Purposes

DGIEU prepares the solvency balance sheet for the purpose of determining the available own funds. The Company does not benefit from the use of a volatility adjustment or the use of a transitional measure.

DGIEU considers the bases, assumptions and methods used in the valuation of assets and liabilities for solvency purposes to be adequate.

Compared to the last reporting period, there were no significant changes in the methods and assumptions underlying the valuation for solvency purposes.

E. Capital Management

Sufficient capital is retained to ensure financial stability of the Company and to meet regulatory requirements. The capital structure is kept under review to ensure these requirements are met. The DGIEU Management Board regularly reviews the capital position of DGIEU under the European Solvency II directive.

The Company's capital position as of 31 March 2021 is as follows:

	2021 € '000	2020 € '000
Eligible Own Funds to cover the SCR	36.087	15.329
Solvency Capital Requirement (SCR)	14.347	7.432
Ratio of Eligible Own Funds to the SCR	252%	206%

DGIEU uses the Solvency II standard model (standard formula). Based on this model and on its assessment of risk and solvency requirements, it remains well capitalised.

DGIEU is currently applying for the permission to use undertaking specific parameters ("USPs"), as the solvency capital requirement for DGIEU's insurance business (one segment, moderate risk) can be determined much more appropriately using individually calibrated parameters than using the parameters of the Solvency II standard formula. USPs should be used to determine the solvency capital requirement for both premium and reserve risk.

Compared to the previous FY the Solvency Ratio increased by 46%-points.

Effects of Covid-19

The worldwide spread of the Covid-19 was declared a pandemic by the World Health Organization (WHO) on 11 March 2020. The European Insurance and Occupational Pensions Authority (EIOPA) classifies the current situation as a "major development".

The pandemic is still affecting many aspects of private and professional life. Covid-19 continued to be present in FY 2021 and has impacted the business. It is currently assumed that Covid-19 can have an impact on the Company's earnings and risk situation, although subject to great uncertainty. Nevertheless, DGIEU outlines possible impacts below.

Business Continuity

DGIEU has put a special focus on the maintenance of business operations. All employees of the Company were able to switch completely to the home office within a very short time while maintaining the usual standards, this included contact centres that take sales and service calls. All employees were provided with the necessary working materials as quickly as possible in order to be able to carry out their work outside the office without restriction. Internal policies were also drawn up and approved, for example to ensure data security in the home office. To keep the employees informed, regular video calls are made at different management levels.

Furthermore, DGIEU maintains close contact with its outsourcing partners to be able to monitor their business continuation during Covid-19.

As well as employee welfare, customer satisfaction continues to be DGIEU's top priority. All necessary measures have been taken to ensure customer satisfaction and to maintain service. DGIEU has also received very positive customer feedback on its service during Covid-19.

Business Performance

Linked to the Company's business model, the pandemic led to a decline in new business. This was due to the closure of the retail point of sale trade on the one hand, and due to a change in customer purchasing behaviour on the other. Although DGIEU benefited from having a broad footprint (including subscription business) with some countries lockdown being less drastic, or shorter than others. DGIEU reacted quickly and took appropriate measures to continue generating new business. For example, the Company has started initiatives to promote online business. In the periods when shops were open again, new business was observed at pre-pandemic levels. The claims performance has fluctuated slightly in FY21, with initial low claims during the lockdown followed by some additional costs due to parts availability in the latter periods of FY21.The cancellation rates are at a comparable level to before the pandemic.

To monitor trading performance, DGIEU has set up regular trading meetings with senior management.

Further analysis continues to be conducted in DGIEU’s Own Risk & Solvency Assessment (“ORSA”), which models the effects of an ongoing lockdown due to Covid-19.

Underwriting Risk

Due to its business model, DGIEU does not expect any significant change in its underwriting risk profile due to Covid-19. An indicator of this is that the cancellation rate and the loss ratio are comparable to that before the pandemic.

Market Risk

The first wave of Covid-19 led to considerable stress on financial markets in FY20. Overall, significant price losses were recorded for shares and to a lesser extent for corporate bonds. In FY21, the share market recovered. Due to DGIEU not holding any investments during FY20 or FY21, it has not been affected by these trends. No changes in the market risk profile are expected.

A. BUSINESS AND PERFORMANCE

A.1 Business

DGIEU is a stock corporation based in Wiesbaden. The registered office address of the Company is Hagenauer Straße 44, 65203 Wiesbaden, Germany.

The Company is registered at the local court in Wiesbaden under the number HRB 30859.

The Company's financial year ends on 31 March.

The principal activity of DGIEU is the provision of appliance care products. The business of DGIEU comprises the EEA business of the Group. Based in Germany, this includes the business of the four branches in Spain, Italy, France, and UK (solely for Republic of Ireland business). DGIEU also serves Portugal, Belgium, Netherlands, Austria, and Poland.

There is an intra-group reinsurance arrangement between DGIEU and DGI. This reinsurance arrangement ensures a reduction of the insurance risk of DGIEU. DGIEU cedes 90% of premiums and claims to DGI, the reinsurer.

To ensure the mitigation benefit of reinsurance is enjoyed by DGIEU on a Solvency II basis even if the solvency regimes of the UK and EU are not deemed to be equivalent, DGI has sought and received a financial strength rating by a nominated external credit assessment institution (“ECAI”).

Group structure

The Group's majority shareholder is CVC Funds, via CVC Fund VII, with a stake of approximately 70%, with Luxinva S.A. (an entity wholly owned by Abu Dhabi Investment Authority) with an approximately 30% stake. The ultimate controlling party is Opal Galaxy Holdings Limited, a company incorporated in Jersey.

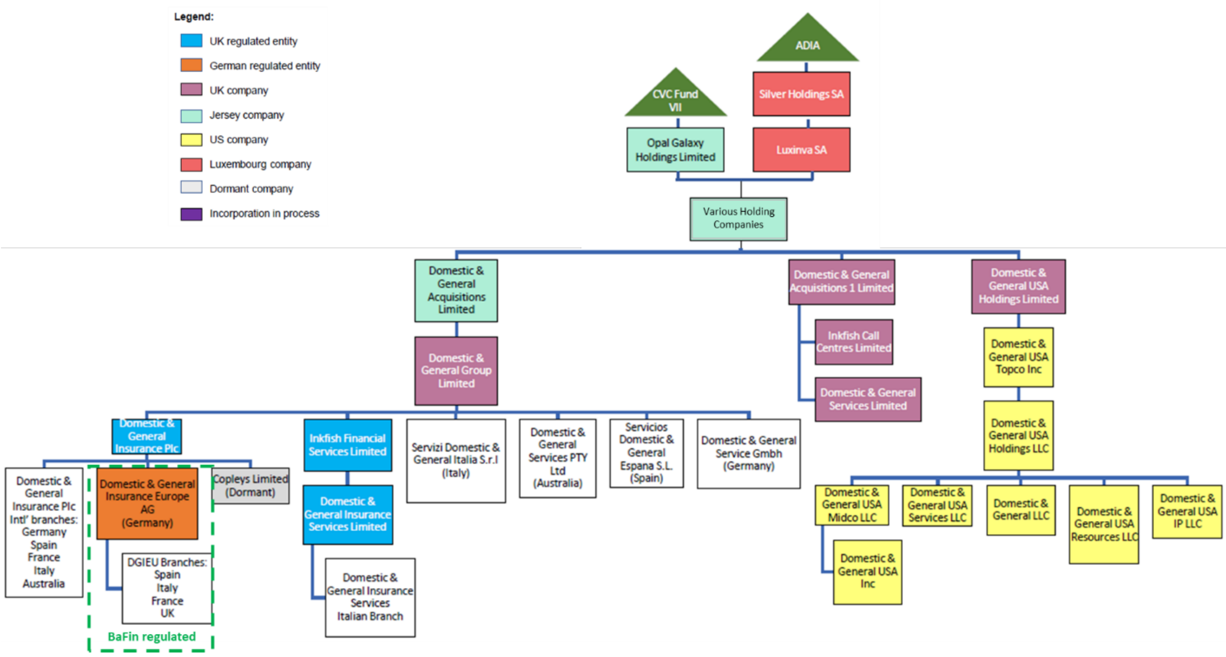
DGIEU is wholly owned by DGI. Domestic & General Group Limited is an UK insurance holding company, and parent of DGI. Domestic & General Acquisitions Limited is the ultimate non-EU insurance holding company.

DGI is a UK insurance company, authorised by the PRA and regulated by the FCA and the PRA, and sells insurance products in the UK via its head office in the UK.

DGIEU is a German insurance subsidiary of DGI which sells insurance products in EEA markets.

In FY 21 DGIEU has established a UK branch specifically to carry out activities in respect of Republic of Ireland following the UK’s departure from the European Union.

A condensed version of the organisation chart is shown below:



Supervision

DGIEU is authorised and supervised by BaFin. Details of the competent supervisory authority are listed below:

Adress of Bundesanstalt für Finanzdienstleistungsaufsicht
Graurheindorfer Str. 108
53117 Bonn

Alternatively:
Postfach 1253
53002 Bonn

Contact details of Bundesanstalt für Finanzdienstleistungsaufsicht
Fon: 0228 / 4108 - 0
Fax: 0228 / 4108 – 1550

E-Mail: poststelle@bafin.de

Or De-Mail: poststelle@bafin.de-mail.de

For the Group to which DGIEU belongs, the following supervisory authorities are also relevant:

- Prudential Regulation Authority (“PRA”), United Kingdom
- Financial Conduct Authority (“FCA”), United Kingdom
- Australian Prudential Regulation Authority (“APRA”), Australia
- Autorité de Contrôle Prudentiel et de Résolution (“ACPR”), France (for conduct regulation purposes)
- Dirección General de Seguros y Fondos de Pensiones (“DGSFP”), Spain (for conduct regulation purposes)
- Istituto per la Vigilanza sulle Assicurazioni (“IVASS”), Italy (for conduct regulation purposes)
- Central Bank of Ireland (“CBI”), Ireland (for conduct regulation purposes)

External Auditors

The Company's statutory annual financial statements and the Solvency II balance sheet are audited by Deloitte GmbH Wirtschaftsprüfungsgesellschaft, who can be contacted at Aegidientorplatz 2a, 30159 Hannover, Germany.

A.2 Underwriting performance

DGIEU has identified key performance indicators ("KPIs") measuring the financial performance and strength of the Company.

DGIEU's result for FY21 is as follows:

	2021 € '000	2020 € '000
Gross Premiums Written	99.314	33.052
Net Earned Premiums	-44.646	-1.524
Net Claims	-37	-1.461
Net Insurance Expense	36.875	-8.123
Other Technical Expense	-126	-23
Net Operating Expense	-24.627	-3.428
Loss Before Tax	-32.561	-14.558

Gross Premiums Written ("GPW") - consists of amounts invoiced in respect of warranty insurance business on a gross of reinsurance basis, net of cancellations and exclusive of Insurance Premium Tax ("IPT"). With 82,1%, the most significant part of the GPW was generated in Spain and Portugal ("Iberia") and mainly relates to business from retailers.

Net Earned Premiums - represents the amount of premium recognised in the current year relating to insurance business on a net of reinsurance basis, net of cancellations, in accordance with the earnings patterns applied to each contract. Earnings commence when the policy goes "on-risk". The negative net earned premiums are due to local GAAP adjustments. The earning acceleration of reinsurance is bigger than the earning acceleration of direct insurance due to the size of the ceding commission. In line with the GPW ratio by country, the main part of the earned premium is from Iberia (65,9%).

Net Claims - the total DGIEU ratio of claims incurred in relation to earned income is 0,01% (FY20: -95,9%). The net claims ratio FY21 is significantly impacted by claims reinsured in relation to Part VII transfer.

Net insurance expenses – the net insurance expenses include mainly commission expenses (FY21: €57.091k; FY20: €21.631) and other operating administration costs and cost allocations (FY21: €11.848k; FY20: €4.489k). This is reduced by the Reinsurance Ceding Commission (FY21: €105.814k; FY20: €17.997).

DGIEU business has significant acquisition costs, particularly through its call centre, that are recovered through expected future renewals. Since the business started in FY20 without the back-book (which was later subject to the Part VII transfer), DGIEU was not fully benefiting from the profit of that book to offset the acquisition cost weight. Additionally, DGIEU has taken over the overhead basis of the EEA business, and, whilst there is a contribution by DGI for servicing that back book until December 2020, DGIEU was not sizeable enough to cover completely the cost basis until the Part VII transfer was completed. Additionally, acquisition costs are not allowed to be held as an asset in the IFRS balance sheet but are expensed under local GAAP. Whilst there are some positive mechanisms to alleviate the impact of that (acceleration of earnings), they do not apply to subscription policies, which are a sizeable item in DGIEU book. These are the main drivers for the loss before tax (- €32.561k).

DGIEU writes extended warranty insurance in Spain, Germany, Portugal, Republic of Ireland, France, Netherlands, Belgium, Italy, Austria, and Poland. With respect to the underwriting performance, the main geographical areas are Iberia (Spain and Portugal) and Germany/Austria.

DGIEU's underwriting performance by main geographical areas for FY21 is as follows:

	TOTAL					Iberia				
	FY21 € 000	FY20 € 000	FY21 %RI; %Ceding	% earned income	FY21 % total	FY21 € 000	FY20 € 000	FY21 %RI; %Ceding	% earned income	FY21 % total
Gross premiums written	99.314	33.052			100,0%	81.570	30.870			82,1%
Reinsurance premium	-170.185	-29.746	171,4%			-139.779	-27.783	171,4%		
Change in gross unearned premiums	-19.043	-16.027				-20.902	-15.237			
Change in reinsurers' share in gross unearned premiums	45.267	11.198	237,7%			49.686	10.754	237,7%		
Net earned premium	-44.646	-1.524		100,0%	100,0%	-29.425	-1.396		100,0%	65,9%
Gross claims	-25.797	-4.066				-17.910	-2.977			
Claims reinsurers' share	25.760	2.606	99,9%			17.885	1.907	99,9%		
Net claims	-37	-1.460		0,1%		-26	-1.069		0,1%	
Gross operating expense	-68.939	-26.120				-49.649	-20.005			
Ceding commission	105.814	17.997	62,2%			86.909	16.809	62,2%		
Net insurance expenses	36.875	-8.123				37.260	-3.197			
Other technical expense	-126	-23		-82,3%		-156	-40		-126,1%	
Balance on the technical account, net of reinsurance	-7.934	-11.130				7.654	-5.703			
Other income	7.314	4.217				3.477	1.602			
Other expense	-31.941	-7.645				-6.555	-2.920			
Loss before tax	-32.561	-14.558				4.576	-7.021			
Tax	-804	141				-813	13			
Loss for the financial year	-33.365	-14.416				3.763	-7.008			

	Germany & Austria					Other				
	FY21 € 000	FY20 € 000	FY21 %RI; %Ceding	% earned income	FY21 % total	FY21 € 000	FY20 € 000	FY21 %RI; %Ceding	% earned income	FY21 % total
Gross premiums written	13.358	1.222			13,4%	4.386	959			4,4%
Reinsurance premium	-22.890	-1.100	171,4%			-7.516	-863	171,4%		
Change in gross unearned premiums	1.847	-323				11	-466			
Change in reinsurers' share in gross unearned premiums	-4.391	225	237,7%			-27	219	237,7%		
Net earned premium	-12.076	24		100,0%	27,0%	-3.146	-152		100,0%	7,0%
Gross claims	-5.204	-593				-2.683	-497			
Claims reinsurers' share	5.197	380	99,9%			2.679	319	99,9%		
Net claims	-7	-213		0,1%		-4	-179		0,1%	
Gross operating expense	-13.129	-3.911				-6.161	-2.203			
Ceding commission	14.232	666	62,2%			4.673	522	62,2%		
Net insurance expenses	1.103	-3.246				-1.488	-1.680			
Other technical expense	32	27		-9,4%		-3	-10		47,4%	
Balance on the technical account, net of reinsurance	-10.948	-3.407				-4.640	-2.020			
Other income	2.228	1.388				1.608	1.228			
Other expense	-22.188	-2.953				-3.198	-1.772			
Loss before tax	-30.908	-4.973				-6.230	-2.564			
Tax	-1	0				10	129			
Loss for the financial year	-30.909	-4.973				-6.220	-2.435			

82,1% of the gross written premiums and 65,9% of the earned premiums relate to Iberia and mainly comes from large retailer clients.

The relatively low proportion of gross premiums written in Germany (13,4%) corresponds with the proportion of earned income (27,0%) of the total amounts. These low ratios are mainly due to different products sold in Germany compared to Iberia. Whilst in Iberia sales include mainly new business with large retailers, selling mainly point of sale policies that are multiyear and paid upfront, Germany is impacted by the nature of its new business (subscription business), where local GAAP recognizes only premium that is due.

Under Solvency II, extended warranty insurance is classified under the Solvency II line of business "Miscellaneous Financial Loss". DGIEU has extended, for some products, the coverage offered beyond pure extended warranty by including coverage for damage and theft. Specific reference to extended warranty insurance within the other non-life catastrophe risk guidance (see Annex XII of the Delegated Acts) explicitly clarifies that extended warranty insurance within the Solvency II line of business “Miscellaneous Financial Loss” may also provide additional cover against eventualities such as accidental damage, loss, or theft. Therefore, the entirety of DGIEU’s business has been classified under the Solvency II line of business “Miscellaneous Financial Loss”.

A.3 Investment performance

DGIEU did not carry out any own investments in FY21. No information can therefore be given on the investment performance.

A.4 Performance of other activities

In FY21, there was no other material income or expense incurred during the reporting period. DGIEU has no material financial lease / operating lease reported within commitments.

A.5 Any other information

In FY21, there was no additional other information that would require reporting.

B. SYSTEM OF GOVERNANCE

B.1 General information on the system of governance

DGIEU Supervisory Board

The Company's Supervisory Board comprises of Directors who are responsible to the shareholder and other stakeholders for ensuring that the Company is appropriately managed and that it achieves its objectives. The Board meets to determine the Company's strategic direction, to review the operating and financial performance, and to oversee that the Company is adequately resourced and effectively controlled.

The main tasks of the DGIEU Supervisory Board are:

- Supervises the DGIEU Management Board but with no right to instruct or take day-to-day decision,
- Issues Rules of Procedures for the DGIEU Management Board,
- Mandates the statutory auditor,
- Approves the financial statements,
- Reserved matters – Veto right e.g., acquisition or sale of real property, assumption of guarantees, obligations exceeding a defined amount, and
- Appoints (and removes) members of the DGIEU Management Board.

The DGIEU Supervisory Board consists of three members:

DGIEU Supervisory Board (Meetings every six month)	
David Tyler	Chairman
Joe Fitzgerald	Deputy Chairman
Steve Purser	Member

In FY21 there were no changes in the DGIEU Supervisory Board.

DGIEU Management Board

The main tasks of the DGIEU Management Board are:

- Responsible for proper business organisation,
- Manages the Company in accordance with the law, Articles of Association and the Terms of Reference (manages with the due care and diligence of a prudent and conscientious businessman),
- Implements and executes DGIEU's strategy,
- Provides direction on day-to-day strategy,
- Reviews Company's risk and issues,
- Adheres to regulation and compliance,
- Reviews key people risks and issues, and
- Acts as escalation point for issues raised by the business.

The DGIEU Management Board consists of three members:

DGIEU Management Board (Meetings every 3 months, other invitees as required)		
Name	**Role**	**Responsibility**
Mark Bridges	Chief Executive Officer ("CEO")	Lead Management overall, Strategy, Sales, Operations, Personnel, Supervisory Board matters
Idriss Ben Hadj Yahia	Chief Financial Officer ("CFO")	Finance and Accounting, Underwriting, Actuarial, Internal Audit
Bernhard Blaum	Chief Risk Officer ("CRO")	Compliance, Risk Management, Data Privacy, CoSec

European Management Operations Committee ("EMOC")

The EMOC meets monthly at various DGIEU European sites. During the Covid-19 pandemic, meetings are held online. The Committee has the purpose to implement and track progress against the strategy and plans adopted by the Management Board.

Members are to be confirmed by the DGIEU Management Board but mirror the International Director's current trading group meetings. Members of the EMOC are the Members of the DGIEU Management Board, International OEM Director, International Operations Director, Director of Service, Head of Channel Marketing, International Programme Director, Country Head of Spain & Retail + Director, HR Director of Business Partnering & Talent, International Business Development Director and General Counsel. EMOC is chaired by Mark Bridges (CEO of DGIEU) and organised by the International Business Manager.

The main tasks of the EMOC are:

- Executes Company strategy and discusses changes,
- Discusses and approves strategic developments and initiatives,
- Runs the business in line with Company policies,
- Sets up controls to deal with Company risks,
- Provides direction on day-to-day strategy, and
- Information exchange and alignment with Group Executive Committee.

Another meeting of the EMOC members is the regular weekly trading meeting. From mid-March 2020, DGIEU has set up additional regular trading calls with EEA Senior Management to discuss developments regarding Covid-19 and trading performance, to ensure a proper business development and stable operations.

Key Functions

An insurance company must set up four Key Functions in accordance with the requirements of Solvency II. The DGIEU Management Board has appointed responsible persons for each of the following four Key Functions:

- Risk Management Function according to § 26 Para 8 Insurance Supervisory Law ("VAG"),
- Compliance Function according to § 29 Para 1 VAG,
- Internal Audit Function according to § 30 Para 1 VAG and
- Actuarial Function according to § 31 Para 1 VAG.

Risk Management Function

According to § 26 VAG Para 8, insurance companies must set up an independent Risk Management Function that is structured in such a way that it significantly promotes the implementation of the Risk Management System.

Selected main tasks of the Risk Management Function include:

- Evaluating and reviewing the Risk Strategy,
- Promoting risk awareness,
- Reviewing risk assessment methods,
- Monitoring the Risk Management System (including risk appetite statements and positions, as well as Key Risk Indicators ("KRIs")),
- Developing, testing, and validating internal models in use for the calculation of DGIEU's solvency capital requirements*,
- Proposing limits and
- Defining and regular updating of principal risks and key controls.

* as of 31 March 2021 DGIEU does not apply an internal model, but the Company is in the application process for the use of USPs".

These main tasks include the following aspects in detail:

- **Coordination:** The Risk Management Function coordinates activities especially relating to Pillar 2 and 3 Solvency II, in particular Risk Management activities. The Risk Management Function ensures the correct implementation of Risk Management policies and the development of strategies, methods, processes, and procedures for identifying, assessing, monitoring, and controlling risks.
- **Risk control:** The Risk Management Function plays a key role in determining the solvency situation and risk-bearing capacity and carries out the Company's own risk and solvency assessment in cooperation with other specialists and Key Functions.
- **Early warning function:** The Risk Management Function is responsible for identifying risks as early as possible and coordinating proposals for suitable measures.
- **Advice:** The Risk Management Function advises the DGIEU Management Board on all Risk Management issues, including strategic decisions.
- **Monitoring:** The Risk Management Function monitors the effectiveness of the Risk Management System, identifies potential weaknesses, develops proposals for improvement and reports to the Management Board.
- **Reporting:** The Risk Management Function reports comprehensively to the DGIEU Management Board on the current risk and solvency situation and is responsible for internal and external risk reporting.
- **Training:** To promote the risk culture, the Risk Management Function carries out internal risk management training for the staff.

Bernhard Blaum holds DGIEU's Risk Management Function and is the responsible member of the Management Board (CRO). The Risk Management Function is operatively managed by the International Risk Manager. The International Business Manager acts as interface between risk management, compliance, and international business strategy. This implementation is used to separate functions regarding the workload of operational activities.

The organisation of the Risk Management Function is considered appropriate and effective in accordance with the principle of proportionality.

Compliance Function

According to § 29 Para 1 VAG, insurance companies must have an effective internal control system, which includes at least business administration and accounting procedures, an internal control framework, adequate internal reporting structures and a Compliance Function.

Selected main tasks of the Compliance Function include:

- Identifying and assessing compliance risks with regard to both BaFin standards and local regulatory standards for each DGIEU location,
- Setting the DGIEU policy framework for insurance compliance, the internal control framework, financial crime prevention and other regulatory matters,
- Designing and executing DGIEU compliance controls and monitoring,
- Managing the DGIEU outsourcing framework,
- Managing the DGIEU product governance and oversight procedures,
- Monitoring the Regulatory Horizon / industry news to ensure compliance with applicable laws and regulations, and
- Advising and training both DGIEU business and management functions in Compliance matters.

These main tasks include the following aspects in detail:

- **Riskidentification and -assessment:** The Compliance Function identifies and assesses the risks associated with the breach of legal requirements ("Compliance risks") on an ongoing basis and provides an annual Compliance report to the DGIEU Management Board.
- **Monitoring / Control testing:** The Compliance Function monitors compliance with legal requirements by executing DGIEU's compliance monitoring programme. The compliance monitoring programme follows a risk-based approach across both internal and external (third party) distribution and service channels. Compliance monitoring also incorporates the management of the Whistleblowing process according to § 23 Para 6 VAG.
- **Monitoring of Regulatory Horizon / Industry news:** The Compliance Function assesses the potential impact of changes in the legal environment and the industry on the Company ("Horizon scanning").
- **Advice:** The Compliance Function advises both DGIEU business and Management Board on compliance with the laws and regulations that apply to the operation of the insurance business. The Compliance Function ensures the correct implementation of Compliance policies and the development of strategies, methods, processes, and procedures for identifying, assessing, monitoring and controlling risks.
- **Product and Pricing Governance:** The Compliance Function manages the product and pricing governance and the DGIEU Head of Compliance is chair of the European Product and Pricing Governance Committee.
- **Conduct Standards:** The Compliance Function manages conduct standards, and the CRO as Compliance Function holder is chair of the European Conduct Standards Committee.
- **Training:** To promote Company-wide compliance, the Compliance Function carries out internal compliance training for the staff.

Bernhard Blaum holds DGIEU's Compliance Function and is the responsible member of the Management Board (CRO). The Compliance Function is led and operatively managed by the Head of Compliance DGIEU, to whom an international Compliance Team reports. The DGIEU Compliance Team was expanded in FY21 with the recruitment of local Compliance resources in Spain and France. The International Business Manager acts as interface between risk management, compliance and international business strategy. This implementation is used to separate functions regarding the workload of operational activities.

The organisation of the Compliance Function is considered appropriate and effective in accordance with the principle of proportionality.

Internal Audit Function

Under Solvency II insurance companies must set up the Internal Audit Function. The audit mandate of the Internal Audit Function relates to the entire business organisation, including outsourced areas and processes.

Selected main tasks of the Internal Audit Function include:

- Auditing the system of governance,
- Ensuring compliance with the audit plan,
- Maintaining independence, and
- Advising the management.

These main tasks include the following aspects in detail:

- **Audit:** The Internal Audit Function reviews and assesses the functionality, effectiveness; and adequacy of the system of governance and reviews all activities and processes of the system of governance, including the other Key Functions (implementation of strategy, efficiency of processes, compliance with internal and external regulations, and reliability of reporting).
- **Surveillance:** The Internal Audit Function supports the DGIEU Management Board in the performance of its supervisory duties.

The Internal Audit Function of DGIEU is outsourced to Grant Thornton LLP (Grant Thornton). Idriss Ben Hadj Yahia is the responsible member of the Management Board (CFO) for the Internal Audit Function.

The organisation of the Internal Audit Function is considered appropriate and effective in accordance with the principle of proportionality.

Actuarial Function

According to § 31 VAG, insurance companies must have an effective Actuarial Function.

Selected main tasks of the Actuarial Function include:

- Validation of technical provisions, including testing against experience,
- Assessment of the appropriateness of the methods used and definition of USPs applied, and
- Assessment of the quality of the data used.

These main tasks include the following aspects in detail:

- **Coordination:** The Actuarial Function coordinates the calculation of technical provisions.
- **Assessment:** The Actuarial Function assesses the adequacy and quality of the underlying data.
- **Monitoring:** The Actuarial Function ensures the appropriateness of the methodologies and assumptions underlying the technical provisions. The Actuarial Function monitors the calculation of the technical provisions.
- **Support:** The Actuarial Function supports the Risk Management Function in the effective implementation of the Risk Management System and the risk and solvency assessment.
- **Reporting:** The Actuarial Function informs the DGIEU Management Board about the reliability and appropriateness of the calculation of technical provisions.

The Actuarial Function is also responsible for reviewing the overall underwriting policy and the adequacy of reinsurance arrangements and is required to produce annual opinions on each.

The Actuarial Function of DGIEU is outsourced to Milliman LLP ("Milliman"). Milliman assists with the calculation of the SCR and of the technical provisions, and with DGIEU's Solvency II reporting requirements. Idriss Ben Hadj Yahia is the responsible member of the Management Board (CFO) for the Actuarial Function.

The Actuarial Function performs its tasks with operational independence.

The organisation of the Actuarial Function is considered appropriate and effective in accordance with the principle of proportionality.

Governance Committees

The DGIEU Supervisory Board and the DGIEU Management Board are ultimately responsible and accountable for ensuring that a sound risk management culture and framework is embedded. Some responsibilities for the oversight and monitoring of risk management (including adherence to risk appetite for selected risk categories) are delegated to DGIEU's committees, as reflected in their terms of references.

The following committees were established for DGIEU:
- European Product and Pricing Governance Committee
- European Conduct Standards Committee

European Product and Pricing Governance Committee ("EPPGC")
The EPPGC meets bi-monthly and ad-hoc if required. The scope of the EPPGC covers three defined areas of Product Development as well as pricing application and focusses specifically on the customer impact.

- **New products & modification:** Designing new products or modifying or developing existing products,
- **Channel & Client Development:** Development of new channels for existing products; changes to an existing channel; and rollout of an existing product/terms and conditions for a new client,
- **Promotional offers:** Marketing incentives and payment methods for existing products and channels, and
- **Pricing application:** The pricing strategy being employed to calculate product price.

Membership of the EPPGC consists of at least one representative from Marketing and a representative from Compliance. The membership of the EPPGC is as follows: Members of the DGIEU Management Board, the International Legal Director, International OEM Director, International Retail+ Director, Group Chief Risk Officer, Head of Compliance DGIEU and International Business Manager. The EPPGC is chaired by the Head of Compliance DGIEU.

European Conduct Standards Committee ("ECSC")
The ECSC meets quarterly (in line with DGIEU Management Board) and ad-hoc if required. Selected main tasks of the ECSC are:

- Setting conduct standards and principles,
- Promoting conduct standards and fair treatment of costumers,
- Monitoring conduct risks in Service and Claims, Complaints and Quality Assurance (e.g. due to Q+V and mystery shopping),
- Reviewing emerging risks and identifying route causes, and
- Reviewing cases of misconduct and deciding on future mitigation measures.

The actions of the ECSC are based on the vision of "keeping our customers' world's running by delivering an essential service that never lets them down".

The ECSC is chaired by Bernhard Blaum (CRO of DGIEU). Further members of the committee are the members of the DGIEU Management Board, the International Operations Director, International Legal Director, Group Service and Claims Director, International OEM Director, International Retail Plus Director, Director of Contact

Centres, Head of Performance & Insights, Group Chief Risk Officer, International Business Manager, Head of Compliance DGIEU and International Risk Manager.

Other risk management issues of DGIEU are dealt with in the following committees at Group level. Information is passed on to the Group by the DGIEU Management Board.

Committees at Group Level:

Audit & Risk Committee ("ARC")
The Audit & Risk Committee is a key governance committee that oversees and manages risk (including regulatory risk). Under its terms of reference, the ARC should meet at least three times a year and in FY21 met four times.

The Committee has an established annual plan of work, and its responsibilities include: review of the appropriateness of the Company's accounting principles and procedures; review of the effectiveness of the audit process and the relationship of the Company with its external auditors, including the level and nature of non-audit services; review of the effectiveness of the internal Audit Function; and review of the effectiveness of the Company's internal controls, in particular, regulatory compliance and risk management.

In parallel, the ARC ensures that all group subsidiaries (across all jurisdictions) are reviewed and monitored and that there is consistent and clearly communicated, effective financial reporting processes, risk frameworks and compliance monitoring processes in place.

Remuneration Committee ("REMCO")
The Group Remuneration Committee is the central committee responsible for all remuneration matters across the Group. Under its terms of reference, the REMCO meets as often as their role and responsibilities reasonably require and, in any case, at least once a year.

The Committee has responsibility for determining the overall framework and policy for remuneration of the Chairman, the independent non-executive directors, the executive directors, and for senior executives of the Group.

The Committee also:

- Approves the design of, and determines targets for any performance related pay and bonus schemes,
- Reviews and approves the appointment or termination of employment and the individual remuneration, including any variable remuneration, of any employee whose base salary is in excess of £120.000 (approximately € 130.000) p.a. or whose contract cannot be terminated by three months' notice or less,
- Determines the policy for and scope of pension arrangements, service agreements for the Executive Management, termination payments and compensation commitments, and
- Reviews and approves the establishment of any pension, retirement, death, disability or life assurance scheme and any major changes in employee benefit structures.

A summary of further Group management Governance Committees, roles and responsibilities are outlined below:

Management Committee	Objectives
Executive Committee ("ExCo")	• Manage the day-to-day operation of D&G Group, ensuring D&G's strategy is executed effectively and that key risks are sufficiently managed. • Note: The CEO of DGIEU is member of the Group ExCo.
Group Risk Committee ("GRC")	• Monitor the implementation of D&G Group's risk management framework. • Tracking adherence to risk appetite and changes to the group's risk profile on a regular basis. • Note: The CEO of DGIEU is member of the GRC.

Finance & Trading Committee ("FATC")	• Monitor financial performance of D&G Group across key metrics and take corrective action where required to bring metrics in line with expectations (whilst considering the potential impacts on customer satisfaction).
Investment & Capital Committee ("ICC")	• Sets the investment criteria for the group's assets (including its subsidiaries), monitors counterparty exposures (banking and investment) and investment returns.
Technology & Change IT Oversight Committee ("T&CIOC")	• Oversees the operations of all IT functions, ensuring alignment of Technology strategy to the group strategy.
Business Planning Committee ("BPC")	• Monitor delivery of transformation programmes, and review / approve new initiatives based on their ability to provide adequate returns on investment to enable the delivery of the group's strategic plan.

Remuneration

All bonus awards paid to employees are discretionary, even if paid consistently over a period of years; employees do not have an entitlement to receive an annual bonus award. The financial performance of the company is the key factor in determining the overall level of bonus awards in any given year. Alongside, the performance of each function, together with each individual employees' contribution and behaviours, will influence the amount of each individual annual bonus. When determining and reviewing the amount of individual bonus awards, consideration is given to the relative value of variable remuneration as a proportion of total remuneration, ensuring that in each case the variable element does not represent too large a proportion as to inappropriately incentivise behaviours that may be detrimental. In no case may an individual receive a bonus that is greater than 100% of their base salary.

DGIEU awards all variable remuneration in the form of annual discretionary cash awards. The Company does not operate formulaic criteria for determining the value of individual bonus awards and management has complete discretion to determine the value of individual awards.

The Group (including DGIEU) does not operate individual supplementary pension schemes.

There were no material transactions in FY21 between shareholders, any persons exercising a significant influence on the undertaking and members of the administrative, management or supervisory body.

Additional information on remuneration can be found in the section on the "Remuneration Committee", above. This committee is responsible for the remuneration within all Group companies including DGIEU.

A Group Remuneration Policy is in place that includes information on the following: Definition of Remuneration, Requirements and Implementation at D&G and area of responsibility of the Remuneration Committee. The standards in this Policy are applicable to the whole Group (incl. DGIEU). The Policy was approved by the DGIEU Management Board in FY21.

The Remuneration Policy seeks to ensure:

- Transparent and consistent remuneration principles,
- That all employees are appropriately remunerated in accordance with their contractual roles and responsibilities, and
- That the remuneration principles are consistent with the business and risk strategy.

The remuneration system of DGIEU for employees, senior managers, members of the Management Board and Supervisory Board is appropriate, transparent, and geared to the sustainable development of the Company. The general structure of the remuneration policy is in line with the business strategy and the risk strategy derived from it.

There were no additional changes in remuneration and to the Remuneration Policy compared to FY20.

Material transactions

No material transactions took place in the reporting period.

Adequacy of the system of governance

In FY20 DGIEU focused on establishing a robust and proportionate governance framework to ensure compliance with applicable law, regulations, and the expectations of regulators. In FY21, DGIEU's system of governance was further developed and refined to reflect the individual needs of the DGIEU business model and to fully comply with regulatory requirements.

B.2 Fit and proper requirements

General Information

DGIEU is committed to ensure that all persons who effectively run the Company or have other key functions are at all times fit and proper within the meaning of Article 273 of Commission Delegated Regulation 2015/35 (“DVO”) in accordance with the applicable Article 24 VAG.

The information in this section is based on the DGIEU Fit & Proper Policy implemented in FY21. Fitness refers to professional qualifications, knowledge, and experience to enable sound and prudent management. Propriety means good repute and integrity.

The assessment of whether a person is fit shall include an assessment of the person's professional and formal qualifications, knowledge, and relevant experience within the insurance sector, other financial sectors or other businesses. The assessment shall take into account the respective duties allocated to that person and, where relevant, the insurance, financial, accounting, actuarial, and management skills of the person. According to §24 VAG, sufficient management experience can usually be assumed for the performance of management duties if three years of management activity at an insurance company of comparable size and type of business can be proven.

According to EIOPA Guidelines on System of Governance, the following fit requirements apply to the members of the Administrative, Management or Supervisory Body (AMSB).

The AMSB should collectively possess appropriate qualification, experience, and knowledge about at least:

- Insurance and financial markets,
- Business strategy and business model,
- System of governance,
- Financial and actuarial analysis, and
- Regulatory framework and requirements.

The assessment of whether a person is proper shall include an assessment of that person's honesty and financial soundness based on evidence regarding their character, personal behaviour, and business conduct including any criminal, financial, and supervisory aspects relevant for the purposes of the assessment.

Affected Persons and Roles at DGIEU

The fit & proper requirements apply to all persons who effectively run the undertaking or have other key functions. At DGIEU, these include the members of the DGIEU Supervisory Board, DGIEU Management Boards and the Authorised Agents of the French, Italian, Spanish and UK (solely for Republic of Ireland business) branches.

The DGIEU Management Board members are also the responsible holders of the four key functions (Compliance Function, Risk Management Function, Internal Audit Function and Actuarial Function). Furthermore, DGIEU has defined a responsible Outsourcing Manager for the outsourced Internal Audit and Actuarial Function.

The fit requirements for a key function holder are derived from the descriptions of their responsibilities within the governance system.

In the case of outsourcing of key functions in accordance with Article 266 MaGo and Article 32 VAG, DGIEU complies with BaFin requirements to:

- Apply similar fit and proper procedures in assessing persons employed by the Service Provider or sub–Service Provider to perform an outsourced key function, and
- Designate an Outsourcing Manager within DGIEU with overall responsibility for the outsourced key function who is fit and proper and possesses sufficient knowledge and experience regarding the outsourced key function to be able to challenge the performance and results of the Service Provider.

Pre-Employment Checks

- Pre-employment checks are carried out at DGIEU to ensure that the affected persons and roles meet the fit and proper requirements. These include the following: References from previous employers,
- Criminal Record Checks (where in line with applicable local employee protection law),
- Assessment of the person’s professional and formal qualifications, knowledge, and relevant experience,
- Professional qualifications and membership checks,
- Highest education verification, and
- Medical questionnaire.

Furthermore, DGIEU carries out pre-employment checks to ensure that the members of the AMSB collectively possess appropriate qualifications, experience, and knowledge about:

- Insurance and financial markets,
- Business strategy and business model,
- Systems of governance,
- Financial and actuarial analysis, and
- Regulatory framework and requirements.

To ensure compliance with those requirements, DGIEU implemented a "Self-Assessment AMSB Template" in FY21. This must be completed by members of the DGIEU Supervisory Board and the DGIEU Management Board prior to appointment.

Ongoing Checks

The assessment of the fitness and propriety of the persons who effectively run the Company or have other key functions, on an on-going basis is also carried out. A periodic re-assessment of ongoing fitness and propriety may, where appropriate, be carried out through e.g., completion of an appropriately worded form and declaration documenting and, where appropriate, reporting and acting any changes to an individual's fitness and propriety from that previously reported.

To ensure compliance with those requirements in the future, DGIEU implemented a "Self-Assessment Template for Regular Review". This is based on the information that is required to be submitted to the supervisory authority (BaFin). This self-assessment must be carried out truthfully by the responsible persons on an annual basis and coordinated by DGIEU HR. Should changes occur during the self-assessment that have a significant impact on the fit and proper requirements and thus on the appointment, the necessary documents that were also required for the initial assessment must be requested again from DGIEU HR.

Regular means on an annual basis. The annual self-assessment should be completed by 30 September each year at the latest (first time: September 2021). However, if there are indications of a change in fitness and propriety, an ad-hoc review must be carried out.

At DGIEU, HR is responsible for these checks (pre-employment and ongoing).

Notification to BaFin

The notification to be made in accordance with VAG and the relevant documents must be submitted to BaFin.

The requirements for notification to BaFin are fully met by DGIEU. All required documentation was submitted to BaFin in time. DGIEU HR is responsible for the compilation and submission of these documents.

B.3 Risk management system including the own risk and solvency assessment

Risk is defined as "uncertain future events which could influence the achievement of DGIEU's objectives". These can be both upside risk (opportunities DGIEU can benefit from) or downside risk (threats to success).

The sum of potential risks that DGIEU could experience are its "risk universe". Those risks actually experienced by DGIEU form its "risk profile". DGIEU primarily focuses on the downside risks but may also support in the identification and ongoing management of opportunities. DGIEU's "risk universe" is categorised into a three-level taxonomy, with Conduct, Strategic, Operational, Financial, and Insurance risk being its over-arching risk classes / categories (Level 1). These are then sub-categorised into sub-categories (Level 2) and then again into Library Risks (Level 3). The Library Risks are used to populate risk registers and are then aggregated for risk reporting.

At DGIEU, the principles of risk management are anchored in the Risk Strategy. DGIEU's Risk Strategy is derived from the Business Strategy. The Risk Strategy considers all risks arising from the business model.

The Company has established a risk management and control framework that seeks to protect the business from events that hinder achievement of its objectives and financial performance, including failure to exploit opportunities. The risk management framework identifies potential risks and uncertainties that could have a material impact on performance and puts in place internal processes and controls designed to mitigate each risk.

DGIEU's Risk Management principles seek to ensure that Risk Management activities are:

- Proportionate to both the organisational complexity and the level of risk faced by DGIEU.
- Aligned with the delivery of DGIEU's strategic and operational objectives.
- Comprehensive, ensuring it covers the risk universe to which DGIEU is inherently exposed.
- Embedded within the organisation, at group, entity, and branch levels.
- Dynamic and responsive to emerging and changing risks in internal and external environments.

The high-level risk management process is captured below, which is driven by the risk management principles.

- **Risk culture:**
  - The DGIEU Management Board sets the 'Tone from the Top' in respect of the management of risk.
  - Through application of the risk management principles, the Risk Management Function supports and guides the development of risk culture, risk behaviours, risk attitudes and risk awareness.
  - To promote the risk culture, DGIEU has implemented risk management trainings. These supporting measures lead to increased risk awareness and competencies.

- **Risk Appetite:**
  - As per DGIEU's Risk Policy, all decisions and risk taking will be undertaken within boundaries that are clearly defined and aligned to the risk profile and strategy of the Group.
  - DGIEU's risk appetite statements identify the risk exposures which DGIEU deems acceptable (in pursuit of its objectives) within clearly articulated tolerance limits across each (L2) risk category, taking into consideration capital availability.
  - Reporting of performance against risk appetite through KRIs is included within the regular reporting form the International Risk Manager to the Risk Management Function and to the DGIEU Management Board.
  - KRIs are metrics designed to measure either of the following: the amount of risk exposure; the effectiveness of controls implemented to manage the risk; or how much risk has been absorbed. KRIs should contain a mix of leading and lagging indicators (forward- and backward-looking, respectively).
  - The risk appetite is reviewed in full at least annually by the DGIEU Management Board and through the ARC at Group level. Any proposed changes are subject to approval by appropriate Boards and / or Committees depending on the nature of the change. Due to the very similar risk profile, DGIEU currently uses the Group risk appetite statements. These will be adopted for the Company and adjusted where necessary in FY22.

- **Risk and Control and Self-Assessment:**
  - The Risk and Control Self-Assessment ("RCSA") is integral for identifying and analysing risks and evaluating the efficiency and effectiveness of internal controls in DGIEU. The RCSA is a biannual assessment facilitated by DGIEU Risk & Compliance.

- **Risk Identification:**
  - Risk identification must be completed within the context of DGIEU's objectives, for it is the threat to these objectives that are risks.
  - Identified risks will be recorded centrally on the Risk Management System (Magique) and allocated to an appropriate manager or senior manager.

- **Risk Evaluation:**
  - Risk measurement and evaluation helps DGIEU to make informed decisions with respect to which risk treatment to adopt and what method to use. Risk evaluation includes estimation of the impact (type and amount) and likelihood, on a "gross" (risk assessment before controls) and "net" (risk assessment after controls) basis. DGIEU uses the "Multi Impact Risk Assessment" by considering six different impact types (customer, reputational, regulatory, financial, operational, and client).

- **Risk Management and Internal Control:**
    - Internal control is defined as any action taken by management, the Board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved by internal and external parties.
    - The nature, frequency and scope of the internal controls are based on the risks of the relevant Company units and processes. Responsible control performers and owners have all the necessary information available.
    - DGIEU seeks to manage its risks through one – or a blend of – the following risk management techniques: tolerate, treat, transfer, terminate.

- **Risk Monitoring:**
    - Monitoring is an ongoing process that assesses the effectiveness and efficiency of risk management and internal control, in its ability to enable the achievement of DGIEU's objectives and risk appetite.
    - The process of monitoring DGIEU's risks will include: KRIs, Control Assurance, Horizon Scanning and Monitoring of changes.

- **Risk Reporting, Communication and Consultation:**
    - There is a regular internal risk reporting from the International Risk Manager to the CRO and to the DGIEU Management Board. This regular reporting includes a quarterly KRI reporting and a biannual Risk Management Update (risk profile with RCSA results and reported risk events).

DGIEU operates a "three lines of defence" model:

<u>1st Line of Defence "1LOD" (Operations and Business Units)</u>

Operational management is responsible for:

- Ensuring that effective and efficient controls are in place and defined, and
- Proactively identifying and disclosing control deficiencies (either through event reporting or effectiveness assessment) and taking appropriate action to ensure that controls achieve their objectives.

Risk Strategy (within the operations and business units) is embedded within the first line of defence from a top-down perspective through the articulation and communication of the Board's risk appetite and from a bottom-up perspective through the operation of a risk register. Operational management is responsible for identifying and managing risks directly, whilst senior management is responsible for taking the steps necessary to monitor and manage all material risks consistent with the strategic objectives, risk appetite statements and policies.

<u>2nd Line of Defence "2LOD" (Risk, Compliance and Actuarial Function)</u>

Responsible for reviewing the design and operating effectiveness of DGIEU's key controls as part of their monitoring activities. Risk Management and Compliance are particularly active in their role as business partners to support the decentralized organisation.

Consulting and assurance functions are responsible for ongoing monitoring advice, scanning of the regulatory horizon and facilitating risk management activities. These have some degree of objectivity and independence. This includes the Risk Management, Actuarial and Compliance functions.

3rd Line of Defence "3LOD" (internal audit)

Internal Audit is responsible for providing independent assurance over governance, risk management, and internal control, reporting directly to the Board.

Proper and ethical business conduct is embedded into the day-to-day business. There is a strict business framework (incl. vision, mission, values, and strategic drivers) which senior management and the Board ensure pervades all activities. The Company has established appropriate controls and monitoring over product design, selling processes, customer service and complaints which underpins low complaints rates and high customer satisfaction.

Information on the implementation and tasks of the Risk Management Function is provided in section B.1, further above.

Own Risk and Solvency Assessment ("ORSA")

The Own Risk and Solvency Assessment is part of the Risk Management System and a link between the three pillars of Solvency II.

The Finance, Actuarial and the Risk Management team work closely together to ascertain the potential impact on capital of a variety of risk crystallisations through the ORSA process which is used to assess the level of capital that should be retained by the Company. This process considers all the material risks faced by DGIEU and includes stress tests applied to business plan financial projections by varying assumptions for future experience.

The ORSA is usually performed on an annual basis but in accordance with the ORSA Policy, where a significant change or event is planned or occurs, an out-of-cycle ORSA will be performed to assess the level of risk and assist the Board in the decision-making process. No out-of-cycle ORSA was carried out at DGIEU during FY21.

ORSA Process

DGIEU's ORSA Process includes the following:

- Consideration of the business's risk profile, risk tolerance limits, business strategy, business plans and associated projections,
- Demonstration that capital levels and liquidity are in line with the risk profile,
- Demonstration that robust processes exist to identify, measure, monitor, manage, and report risk exposures, and
- Consideration of the significance with which the risk profile deviates from the assumptions underlying the Solvency II SCR capital requirement.

The CRO (who is member of the DGIEU Management Board) is the designated individual responsible for performing the annual ORSA process. This ensures the direct involvement of management in the ORSA process. The Risk Management Function and the Actuarial Function play a further central role in the implementation of the ORSA and the evaluation of the underlying methods and assumptions.

ORSA Report

The ORSA Report is a collaborative project of various departments. The International Risk Manager is responsible for the master file and brings together the input for the various chapters.

DGIEU's ORSA Report contains the following chapters:

1. Executive Summary
2. Business Strategy
3. Risk Management Framework
4. Current Risk Profile and Assessments
5. Own Funds and Regulatory Capital Requirements
6. Stress Testing
7. ORSA Process

Process Review

DGIEU's ORSA process will continue to be regularly reviewed and further refined as necessary, depending on the ongoing consideration of the DGIEU Management Board, the Solvency II Working Group and any relevant changes to DGIEU's risk profile.

All colleagues directly or indirectly engaged in the ORSA process must familiarise themselves with the requirements of the DGIEU ORSA Policy and ensure that their understanding and awareness of the necessary requirements is maintained.

Ongoing Monitoring

Work conducted by the second and third lines of defence provides continuous assurance that key controls that underpin the ORSA are operating effectively. This includes the annual Compliance Monitoring Program, annual Internal Audit plan, and control testing, all of which are risk-based, together with the half-yearly risk reporting from around the business. It also includes regular committee meetings and working groups, including the Data Governance Committee and the Solvency II Working Group, and those committees designed to address predominantly conduct risk issues such as the ECSC and EPPGC.

The risk universe and our suite of risk appetite statements, with supporting KRI's, are reviewed periodically to ensure that they accurately reflect the business's risk profile and appetite for each category of risk. The last review was completed in March 2021.

Risk reporting is facilitated through the Risk Management System, Magique, which contains a record of all risk registers and supports the reporting of risk events, controls, and exceptions to risk appetite.

B.4 Internal control system

The DGIEU Management Board has the overall accountability for maintaining DGIEU's systems of internal control and for monitoring its effectiveness, while the implementation of the internal control system is the responsibility of the executive management. Following a risk-based approach, DGIEU's systems of internal control is designed to meet applicable legal and regulatory business conduct requirements and to minimise the risk of failure to achieve business objectives.

The system is designed to:

- Safeguard assets,
- Maintain proper accounting records,
- Provide reliable financial information,
- Identify and manage business risks,
- Monitor both DGIEU-internal and outsourced business operations,
- Ensure delivery of suitable and appropriate customer outcomes,

- Maintain compliance with appropriate legislation and regulations on both DGIEU group and branch level, and
- Identify and adopt best practices.

The Company has an established governance framework, the key features of which include:

- Terms of Reference for the Management Board's Committees and for other governance committees,
- A clear organisational structure, with documented segregation of duties and delegation of authority from the Board to executive management,
- A policies and procedures framework, which sets out risk management and control standards for DGIEU's operations,
- Defined procedures for the approval of new products and major transactions, and
- Regular Management Information and reporting to the DGIEU Management Board.

There is an ongoing process for assessing and managing design and operating effectiveness of the internal control system as part of the Risk and Control Self-Assessment, conducted by the 1st Line of Defence and validated by both DGIEU Risk Management and Compliance functions.

Furthermore, as part of the 2nd Line of Defence, the DGIEU Compliance Function performs an annual monitoring program across internal and outsourced business operations. Results of these reviews and of the ongoing monitoring of the regulatory horizon / industry news are used for the identification and assessment of compliance risks. They lead to continuous enhancements of the internal control system, and trainings updates for affected DGIEU employees with regards to Compliance matters.

Further information on the responsibilities of the Compliance Function can be found in Chapter B.1, further above.

B.5 Internal audit function

The Internal Audit Function of DGIEU is outsourced to Grant Thornton, which directly reports to Idriss Ben Hadj Yahia (CFO) who is the responsible member of the Management Board for the Internal Audit Function.

As the outsourcing of the Internal Audit Function is an important outsourcing for DGIEU, the Company defined an Outsourcing Manager who is responsible for the monitoring and assessing of the outsourcing arrangement.

The Internal Audit Function is an independent, objective assurance and consulting function designed to add value and improve the Company's operations. It helps the Company accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control, and governance processes. The Internal Audit Function provides increased risk coverage and measurable value to the business by identifying and performing assurance and consulting engagements. Internal Audit produces an annual Risk-Based Internal Audit Plan based on a comprehensive risk assessment of all identified auditable units. The Internal Audit findings and recommended appropriate courses of action for the enhancement of risk management, internal control, and governance are communicated to the DGIEU Management Board and to the Group ARC for information purposes.

Organisational independence is effectively achieved as the function is outsourced, and reports to the CFO. Furthermore, the Internal Audit Function is free from executive management interference in determining the scope of internal auditing, performing work, and communicating results.

Based on the results of the risk assessment, the auditable units are ranked into priority areas. The risk assessment is enhanced with the feedback of the key stakeholders and the use of the risk register created by the business and compiled by the Risk Management Function. Also, the Internal Audit plan is approved by the DGIEU Management Board and revisited regularly to allow flexibility should the risk environment change.

Moreover, the Internal Audit Function promotes action on audit recommendations and reinforces staff commitment to results through application of sound monitoring and follow-up systems.

None of the Internal Audit Function staff are employed by the Company.

In FY21, the first audits were conducted by the Internal Audit Function. Further information on the responsibilities of the Internal Audit Function can be found in Chapter B.1, further above.

B.6 Actuarial function

The Actuarial Function of DGIEU is outsourced to Milliman. Milliman assists with the calculations of the SCR and technical provision and with DGIEU's Solvency II reporting requirements. The Actuarial Function is also responsible for reviewing the overall underwriting policy and the adequacy of reinsurance arrangements and reinsurance strategies and is required to produce annual opinions on each.

Idriss Ben Hadj Yahia (CFO) is the responsible member of the Management Board for the Actuarial Function.

As the outsourcing of the Internal Audit Function is an important outsourcing for DGIEU, the Company defined an Outsourcing Manager who is responsible for the monitoring and assessing of the outsourcing arrangement.

None of the Actuarial staff are employed by the Company.

Detailed information on the responsibilities of the Actuarial Function can be found in Chapter B.1, further above.

B.7 Outsourcing

DGIEU is committed to ensuring the outsourcing of business activities or functions is only permitted where DGIEU has satisfied itself, through appropriate due diligence and risk assessment, as to the suitability of the Service Provider. DGIEU must continue to be satisfied as to the ongoing suitability of a Service Provider through ongoing monitoring and oversight and reporting to the DGIEU Management Board. The obligations for oversight of Service Providers cover the whole life cycle of the service provisions, from inception to the end of the contract.

The outsourcing principles and regulations are outlined in the Company's Outsourcing Policy which has been written in accordance with Article 274 DVO and Section 13 MaGo.

DGIEU differentiates between the outsourcing of important insurance functions / activities and any other services, as well as outsourcing arrangements with intra-group or external third-party providers.

The current important outsourcing arrangements are as follows:

Service Provider	Service Provider - Domicile Country	Relationship	Service Description	Outsourcing Rationale	Oversight / Safeguard Measures
Grant Thornton	**UK**	**External 3rd Party**	Coverage of the Internal Audit Function for DGIEU across all European locations.	DGIEU relies on the international experience and expertise of Grant Thornton that the established audit firm applies through an integrated audit approach, combining financial audits with attestations of the effectiveness of the internal control systems.	The outsourced key function service is directly assigned to the CFO of DGIEU. The service provider reports to the CFO about their audit plans, activities, and audit results on a regular basis. Audit plans and activities performed by Grant Thornton are reconciled with the DGIEU's internal control framework on an annual basis to ensure a complete and flawless quality assurance of the insurance business.
Retail Active Ltd	**UK**	**External 3rd Party**	Performance of quality assurance checks through mystery shopping tests at DGIEU's retail partners.	DGIEU uses specialised mystery shopping agents that test our retail business partners in Europe with regards to compliance with the agreed sales practices, procedures and regulations for face to face selling.	DGIEU has agreed on the quality assurance standards that Retail Active Ltd applies during their onsite visits in the retail stores. Results of the mystery shopping activities are reported to the responsible DGIEU retail managers and further shared as dedicated agenda topics during DGIEU's quarterly European Conduct Standard Committee.
TeleMail DirektMarketing & TeleMail GmbH	**Germany**	**External 3rd Party**	Direct advertising and mailing, printing and production, fulfilment, address management, etc.	DGIEU uses the service provider as a specialised telemarketing agency and lettershop, relying on the outsourcer's expertise in targeted direct advertising and efficient mailing processes from address management to dispatch.	DGIEU has agreed with the service provider on key performance indicators that TeleMail applies for their mailing services. The mailing service has been integrated into the insurer's complaint handling process. Process failures are raised by customers as regular complaints against DGIEU's customer service and are reported accordingly to the

					European Conduct Standard Committee.
Teleperformance (Teleperformance Portugal*, In & Out S.r.l. // Albania Marketing Service sh.p.k.)	**Portugal, Albania**	**External 3rd Party**	Provision of contact centre services for telesales / telemarketing purposes in the DGIEU markets Italy and France. Besides operating activities (e.g., customer service enquires, sales of insurance plans through inbound and outbound telephony)) the service provision includes an integrated quality assurance process on compliant business conduct through evaluation of recorded phone calls.	Teleperformance as a specialised service provider for customer care services maintains a broad network of contact centres in 80 countries. DGIEU utilizes the provider's experience and expertise in customer acquisitions according to the cultural habits, as well as their economies of scale with more than 300'000 employees.	DGIEU has determined the quality assurance standards that Teleperformance applies for their Compliance checks. Furthermore, DGIEU performs independent check the checker controls on the Teleperformance checks. The reporting of the check the checker control results are integral component of DGIEU's quarterly European Conduct Standard Committee.
Tricontes 360 München GmbH and Tricontes Augsburg GmbH	**Germany**	**External 3rd Party**	Provision of contact centre services for telesales / telemarketing purposes in the DGIEU market Germany. Besides operating activities (e.g., customer service enquires, sales of insurance plans through inbound and outbound telephony)) the service provision includes an integrated quality assurance process on compliant business conduct through evaluation of recorded phone calls.	Tricontes is a well-established business partner for customer interaction solutions in Germany. The provider cooperates with multiple insurance companies out of contact centres located in Germany. DGIEU utilizes the provider's experience and expertise in customer acquisitions and customer care, offered in compliance with German conduct and data privacy standards.	DGIEU has determined the quality assurance standards that Tricontes applies for their Compliance checks. Furthermore, DGIEU performs independent check the checker controls on the Tricontes checks. The reporting of the check the checker control results are integral component of DGIEU's quarterly European Conduct Standard Committee.
Quasar S.L.	**Spain**	**External 3rd Party**	Provision of customized websites, landing pages and IT marketing / sales solutions for DGIEU Spanish Branch. To register and sell plans though web registration (also to collect data and permissions for Direct Marketing).	Quasar Informatica provides DGIEU with specialised IT development resources in order to implement and maintain websites and marketing / sales solutions for	DGIEU maintains its own testing and incident management for the IT platform. Testing results and incidents are shared on a regular level with the service provider to monitor service quality and operating

				online sales activities.	effectiveness of the IT software.
Servizi Domestic & General Italia S.r.l.	**Italy**	**Intra-group outsourcing**	The services provided by SDGI include 1. Call centre telephone services // 2. Claims processing and claims handling, including the managing of repairer suppliers // 3. Customer care services including dealing with written customer correspondence and written customer administration requests // 4. Banking and customer payment reconciliations. // 5. Finance management // 6. Local legal and compliance support services // 7. Local human resources services and payroll services // 8. Local support for reporting management information, including complaints, quality // assurance, service levels and operational processes as agreed required by DGIEU Italy from time to time // 9. Local quality assurance services (such as quality and verifications of inbound and outbound telephone sales, rejected claims and customer complaints) // 10. Local facility management and provision of services such as pone, print, post, stationary, office rental, office cleaning, power, and archiving // 11. Any other ad-hoc activities as determined and agreed by the Parties	Servizi Domestic & General Italia S.r.l. (SDGI), a group company, provides the DGIEU branches with services to support the promotion and administration of its insurance policies to consumers. DGIEU relies in particular on the repair network of suppliers which is managed through SDGI.	SDGI employees who provide services for DGIEU are subject to the same policy standards as in-house resources. Processes are harmonized and quality-assured in line with these standards and the applicable regulatory requirements. Services provided by SDGI are regular components of DGIEU's governance bodies (management board, European Conduct Standard Committee, European Management Operations Committee).
Domestic & General Insurance Plc	**UK**	**Intra-group outsourcing**	The services provided by DGI include 1. Executive management services // 2. Customer product / business development services // 3. Marketing support services // 4. Product governance and product support services // 5. Finance and accounting support services // 6. Project management and programme change management services // 7. Business operations delivery support services (including oversight of third party call centre telephony services) // 8. Underwriting support services // 9. Investment management support services // 10. IT Services // 11. Business Continuity Services // 12. Group Legal Services // 13. Group Human Resources Support services	Domestic & General Insurance Plc (DGI), a group company, provides the DGIEU branches with corporate centre services. DGIEU relies in particular on the experience and the economies of scale of the UK headquarter which also managed the EEA business until end of October 2019.	DGI employees who provide executive management services to DGIEU are usually seconded to the DGIEU UK branch for this purpose. They have solid or dotted reporting lines into the DGIEU Management Board and provide regular status updates in DGIEU's governance bodies (European Conduct Standard Committee, European Management Operations Committee).

			// 14. Risk Management Support services // 15. Compliance Services // 16. Tax & Finance Consultancy services // 17. Procurement Support services // 18. Claims Administration Services // 19. Claims Management Services // 20. IT Security Services		
Milliman	**UK**	**External 3rd Party**	Coverage of Actuarial Function for DGIEU across all EEA branches / locations.	DGIEU relies on the international experience and specialised expertise of Milliman with regards to Solvency II standards for the Actuarial Function.	The outsourced key function service is directly assigned to the CFO of DGIEU. The service provider reports to the CFO on a regular basis about the calculated technical provisions and the underlying valuation models.
D.I.E. WEBexperten UG	**Germany**	**External 3rd Party**	Provision of customized websites, landing pages and IT marketing / sales solutions for DGIEU Italian Branch. To register and sell plans though web registration (also to collect data and permissions for Direct Marketing).	WEBEXPERTEN provides DGIEU with specialised IT development resources in order to implement and maintain websites and marketing / sales solutions for online sales activities.	DGIEU maintains its own testing and incident management for the IT platform. Testing results and incidents are shared on a regular level with the service provider to monitor service quality and operating effectiveness of the IT software.
Whirlpool (Bauknecht Hausgeräte GmbH, Whirlpool Italia S.r.l.)	**Germany, Italy**	**External 3rd Party**	Promotion of Whirlpool Germany/Italy repair services for their manufactured household appliances, covering (i) costs related to repair defects after the legal warranty period has expired and (ii) costs related to repair defects caused by accidents within and outside warranty. Additionally, the local service processes in Germany and Italy include the receival of customer claims calls and the due diligence & acceptance of such claims.	Due to the unique knowledge as the Original Equipment Manufacturer, this partner can offer not only effective and sustainable appliance repairs, but also more accurate claims due diligence checks.	In collaboration with the repair partner, DGIEU has defined very specific and detailed KPIs to continuously monitor the provided service and claims quality. The KPIs form part of the contractual agreements and are reported on a regular level to DGIEU. This MI reporting is an integral component of DGIEU's quarterly European Conduct Standard Committee.
Electrolux Hausgeräte GmbH	**Germany**	**External 3rd Party**	Promotion of Electrolux repair services for their manufactured household appliances covering (i) costs related to repair defects after the legal warranty period has expired and (ii) costs related to repair defects caused by accidents within and outside warranty.	Due to the unique knowledge as the Original Equipment Manufacturer, this partner can offer not only effective and sustainable appliance repairs,	In collaboration with the repair partner, DGIEU has defined very specific and detailed KPIs to continuously monitor the provided service and claims quality. The KPIs form

			Additionally, the local service process in Germany includes the receival of customer claims calls and the due diligence & acceptance of such claims.	but also more accurate claims due diligence checks.	part of the contractual agreements and are reported on a regular level to DGIEU. This MI reporting is an integral component of DGIEU's quarterly European Conduct Standard Committee.

*Business relationship with Teleperformance Portugal ceased by end of April 2021 due to a change in the Company's commercial strategy. The corresponding insurance distribution activities for the French market have been insourced to DGIEU, Spanish Branch.

In order to manage these outsourcing arrangements in a consistent and cohesive manner, DGIEU has introduced an eight steps quality assurance approach throughout the outsourcing lifecycle:

1. **Outsourcing Due Diligence** - Seeking a clear view on the suitability of a Service Provider, supported through reliable evidence,
2. **Outsourcing Risk Assessment** - Classifying and assessing all services and Service Providers, based on risk criteria such as corporate governance, risk management, financial capacity, etc.,
3. **Outsourcing Contracting** - Applying a contractual framework with defined mandatory contents, i.e. to ensure audit and inspection rights,
4. **Outsourcing Approval** - Seeking DGIEU Management Board sign-offs for all intended outsourcings of important insurance activities,
5. **BaFin Notification** (in the event of outsourcings of important insurance activities) - Submitting standardised notifications for outsourcings of important insurance activities through DGIEU Risk & Compliance,
6. **Outsourcing Monitoring** - Ongoing monitoring of important outsourcings with external third parties through contractually agreed KPIs,
7. **Outsourcing Reporting** - Periodic reporting of the KPI results together with any identified service contract breaches and taken actions to the DGIEU Management Board, and
8. **Termination of an Outsourcing** – Rolling back of outsourcing arrangements along pre-approved termination and business continuity concepts.

B.8 Any other material information

There are no other material information, changes or material transactions to report during the reporting period with shareholders, with persons who exercise a significant influence on the Company, and with members of the administrative, management or supervisory body regarding DGIEU's system of governance.

C. RISK PROFILE

Current Risk Profile

DGIEU performs an ongoing process of risk assessment and reporting to the DGIEU Management Board, based on the risk reporting through the Risk Management Software Magique. The risk profile of DGIEU recorded in Magique is reviewed and updated as part of the biannual Risk and Control Self-Assessment (“RCSA”).

The DGIEU risk appetite is reviewed in full at least annually by the DGIEU Management Board. Any proposed changes are subject to approval by appropriate Boards and / or Committees depending on the nature of the change. Due to the very similar risk profile, DGIEU currently uses the Group risk appetite statements. These will be adopted for the Company and adjusted where necessary in FY22.

DGIEU sets its risk appetite at an appropriately prudent level to ensure that key risks to customers are identified, managed, and mitigated wherever possible. The Company focuses its actions on customer satisfaction. Ensuring good customer outcomes is at the heart of DGIEU’s business.

The last RCSA for DGIEU was carried out in February 2021. This identified DGIEU risk profile was presented and approved by the DGIEU Management Board on 2 March 2021.

The top 5 risks identified by the Company in the last RCSA were:

- Information Security and Data Protection,
- Business Continuity,
- Financial Management,
- Key Client Relationship, and
- Conduct Risk (esp. Complaints).

An overview of the risks according to the Solvency II standard formula, their solvency capital requirements and the amount of diversification effects can be found in Chapter E.2, further below.

A summary of the required risk categories, including risk mitigation techniques and uncertainties faced by the Company, is presented below:

C.1 Underwriting risk

The underwriting risk (for DGIEU: non-life insurance risk) is the main component of the Company’s SCR, as shown in section E.2.1.

Underwriting risk is the potential adverse financial impact that combined claims and repair, acquisition, and administration costs exceed the estimated costs built into the pricing models applied.

Premium risk is the most significant element of DGIEU’s underwriting risk SCR. Other SCR sub-risks of the non-life insurance risk are reserve risk, lapse risk and catastrophe risk.

DGIEU calculates the underwriting risk according to the Solvency II standard formula. No USPs were applied in the reporting year.

Underwriting risk is managed through underwriting controls, pricing policies, approval procedures for new products, regular review of performance, and monitoring of emerging issues.

Risk concentrations of underwriting risks is mitigated by the geographical diversification of risks and the diversity of insurable products.

DGIEU has several material clients that if lost would impact DGIEU's ability to reach new customers in order to sell its products and thereby reducing its customer base for new business. DGIEU protects its position by entering into multi-year contracts with clients but there remain risks.

Regular sensitivity analyses are carried out to better understand the impact of risks and risk sensitivities. DGIEU has established processes to undertake stress and scenario testing on an ongoing basis, with testing undertaken at least annually within the ORSA process. Results of the tests improve the DGIEU Management Board's understanding of risk, influence business decisions, and form a key part of the risk management framework. Stress tests concerning the underwriting risk include tests on loss ratios and claims. The tests have validated that DGIEU maintains sufficient capital to withstand these shocks.

DGIEU is currently applying for the permission to use USPs, as the solvency capital requirement for DGIEU's insurance business (one Solvency II line of business, being Miscellaneous Financial Loss) can be determined much more appropriately using individually calibrated parameters than using the EEA market calibrated parameters available in the Solvency II standard formula. DGIEU believes that USPs provide a better alignment with the DGIEU risk profile for determining the solvency capital requirement for both premium and reserve risk.

To ensure the adequate allocation of the Key Entrepreneurial Risk-Taking functions ("KERT functions") of the insurance business and an appropriate profit attribution mechanism between the German DGIEU head office and the DGIEU Spanish Branch in line with the OECD standards, there are local rules for the DGIEU Spanish Branch.

C.2 Market risk

Market risk is the potential adverse financial impact of changes to interest rates, equity markets, property markets, foreign exchange rates, fixed income spreads, and concentrations in assets.

The Company's greatest market risk relates to changes in the GBP:EUR currency conversion rate which is used to value the assets and liabilities held in the UK. The Company is also exposed to some market risk in respect of its fixed assets, and a very small amount of interest rate risk related to the discounting of its technical provisions.

DGIEU calculates the market risk according to the Solvency II standard formula.

Interest rate risk within the investment portfolio is managed actively by the Group's Treasury Function.

DGIEU does not have other types of investment in its investment portfolio that could involve market risks. Stress tests and sensitivity analyses to quantify market risks were therefore not carried out in the reporting period.

Prudent Person Principle

DGIEU only invests in assets and instruments where the risk can properly be identified, measured, monitored, managed, controlled and reported. Investments must be in line with credit and duration limits set by the Board or the Group Investment and Capital Committee.

In FY21 DGIEU did not invest in any money market funds, available for sale financial instruments or other investments.

Financial Investments	2021 € '000	2020 € '000
Deposits with Credit Institutions	70.931	41.467
Cash and Cash Equivalents	1	1
Money Market Funds	0	0
Available for Sale Financial Instruments	0	0
Other Investments	0	0
	70.932	**41.467**

C.3 Credit risk

Credit risk is the potential adverse financial impact of loss in value of financial assets due to counterparties failing to meet all or part of their obligations.

DGIEU calculates the capital requirement for credit risk according to the Solvency II standard formula counterparty default risk module.

The largest credit risks to the Company are in relation to deposits with credit institutions and trading debtors. The Company structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties.

Deposits can only be placed with banks or building societies having credit limits approved by the Board. Counterparty exposure is subject to constant review.

DGIEU has a number of contracts with major long-standing clients, with exposure on the monies owed to DGIEU at any one time. However, DGIEU closely monitors outstanding debt and is in constant dialogue with their clients and is therefore in a position to act swiftly to mitigate any loss in the event of a major client running into financial difficulties.

The Company has credit risk exposure to its reinsurer, DGI. This exposure arises from outstanding receivables, ceded technical provisions, and the risk-mitigating effect of reinsurance. The risk-mitigating effect of reinsurance reflects the reduction in the SCR for underwriting risk that is achieved via the reinsurance, and the potential for this to increase significantly in the event of a reinsurer default.

The reinsurance agreement was adapted in FY21. Due to adjusted payment conditions the level of reinsurance payables was reduced, and the Company's exposure to reinsurer credit risk increased. In the course of the new contract DGI provides funding to DGIEU through a reinsurance account (or claims fund) equal to the projected next three months of reinsurance claims. There are also protection mechanisms for DGIEU to retain funds if DGI's solvency deteriorates.

Trading and insurance debtors are amounts receivable from policyholders and are by their nature high volume but low value. Credit risk exposure is minimal; if the instalment debtor lapses DGIEU cancels the cover provided.

Regular sensitivity analyses are carried out to better understand the impact of risks and risk sensitivities. DGIEU has established processes to undertake stress and scenario testing on an ongoing basis, with testing undertaken at least annually. Results of the tests improve the Board's understanding of risk, influence business decisions, and form a key part of the risk management framework.

Credit ratings of significant classes of financial assets:

	A rated (or above) Institutions 2021 € '000	Other Institutions 2021 € '000	Unrated 2021 € '000	Total 2021 € '000
Deposits with Credit Institutions	69.854	1.077	0	70.931
Cash and Cash Equivalents	1	0	0	1
Client Prepayments	0	0	7.360	7.360
Debtors	0	0	9.034	9.034
	69.855	**1.077**	**16.395**	**87.327**

Deposits with Credit institutions significantly increased by €29.464k to €70.931k compared to FY20 mainly due to the Part VII transfer and relating capital increases in FY21.

Client prepayments and debtors are largely excluded from the Solvency II balance sheet on account that they either have no market valuation or are captured within technical provision.

The Company has implemented policies that require appropriate credit checks on potential trade partners before sales commence.

The amount disclosed in the balance sheet for financial assets represents the Company's maximum exposure to credit risk.

Past Due or Impaired Financial Assets

The table below sets out an analysis of the Company's assets (see below), showing those which are past due or impaired. Categories of financial assets for which there are neither past due nor impaired balances have not been included below.

		Debtors 2021 € '000	Debtors 2020 € '000
Not past due		3.346	2.288
Past due (days)	0 - 30	5.360	2.786
	31 - 60	166	5.189
	61 - 90	38	30
	Greater than 90	124	23
Provision		0	0
		9.034	**10.316**

The Company’s assets (as shown on the face of the balance sheet) include:

	2021 € '000	2020 € '000
Debtors arising out of Direct Insurance Operations	8.199	10.296
Other Debtors	275	20
Other Payments and Accrued Income	7.271	6.355
	15.744	**16.671**

The Company considers notified disputes and collection experience in determining which assets should be impaired.

C.4 Liquidity risk

Liquidity risk is the possibility that DGIEU does not have sufficient available liquid assets to meet its obligations as they fall due.

An important aspect of the Company's management of assets and liabilities is ensuring that cash is available to settle liabilities as they fall due. The most significant payments are claims, repair costs, and commissions. The profiles of claims and repair cost payments are highly predictable. The Company maintains cash and liquid deposits to meet demands on a daily basis.

Contractual Maturity Analysis:

The table below summarises the maturity profile of the Company's financial liabilities based on remaining undiscounted contractual obligations where the maturity profile is an analysis by estimated timing of the amounts recognised in the balance sheet.

	Claims & Repair Costs 2021 € '000	Claims & Repair Costs 2020 € '000	Creditors 2021 € '000	Creditors 2020 € '000	Total 2021 € '000	Total 2020 € '000
0 - 90 Days	737	333	5.609	3.608	6.346	3.941
91 Days - 1 Year	0	0	1.589	950	1.589	950
1 - 3 Years	0	0	0	0	0	0
3 - 5 Years	0	0	0	0	0	0
Greater than 5 Years	0	0	0	0	0	0
Total	**737**	**333**	**7.198**	**4.558**	**7.935**	**4.891**

Creditors increased vs. FY20 mainly due to the Part VII transfer in December 2020.

DGIEU has included expected profit in the (future) premiums ("EPIFP") amounting to €15.553k (FY20: €8.627k).

C.5 Operational risk

Operational risk arises from inadequately controlled internal processes or systems, human error, or from external events.

Operational risks are usually more difficult to quantify, so that their materiality is assessed using a likelihood/impact scoring approach. This allows risks to be ranked in order of their potential impact and by this to focus risk management activities on those risks warranting the greatest attention. Detailed risk registers show that adequate risk controls exist for the most important operational risks and established business areas within DGIEU. These risk registers and controls are regularly monitored and updated within the biannual RCSA.

DGIEU's current risk profile includes the following risk sub-categories of operational risk: Business Continuity, Information Security and Data Protection, People, Outsourcing, Legal & Regulatory and Strategic Execution and Change.

DGIEU maintains an internal policy for handling operational risk and considers potential operational impacts in all of its risk assessments. Scenario analyses conducted within the ORSA are based on a range of severe, yet plausible operational risk scenarios to analyse DGIEU’s financial soundness in the event of a severe operational risk crystallising, and an on assessment of the available mitigating actions. The ORSA demonstrates that DGIEU is well positioned to withstand severe scenarios and controlled in such a way to limit the likelihood and impact of events of this nature occurring.

C.6 Other material risks

As discussed in the opening summary, Covid-19 has led to a refresh of DGIEU’s risk profile across a number of risk categories. Information on the impact of Covid-19 can be found in the summary (see “Effects of Covid-19”).

Strategic Risk reflects the continuing changes in market dynamics and its consequent impact on demand for the Company's services. This risk is mitigated by a resilient business model, expertise in chosen markets and product development and innovation.

Technology Risk is the risk of failure of IT hardware and software, networks, and communications, including failure to implement new systems effectively. This risk is mitigated by investment in appropriate technology and staff and by business continuity planning. DGIEU's IT is outsourced within the Group to DGI.

Conduct Risk is the risk of non-compliance with relevant laws, regulations and standards resulting in poor outcomes for customers. This risk is mitigated by appropriate 1LOD controls, compliance standards and by active monitoring (for example within the ECSC) of product development and treatment of customers to ensure DGIEU meeting all applicable regulations. Further risk mitigation techniques are: involvement of appropriate legal resource and expertise in contract negotiations and dispute resolution; training and competence programmes for staff; strong product design, sales, and customer marketing standards; and specialised expertise in local markets.

The main strategic and conduct risks of DGIEU can be summarised as follows:

Strategic Risks:

- <u>Key Client Relationships:</u> Loss of a key client due to concentration risk in key EEA market.

The loss of a key client has high impact to DGIEU. Concentration risk generated by key clients in the EEA business is being actively addressed, with work ongoing to renegotiate existing contract durations.

Conduct Risks:

- Complaints: The conduct risk was rated high in the last FY, especially due to risks related to the complaints processes. The risks address poor complaint processes that lead to weaknesses in identification, investigation, and outcomes, especially in France. The risk rating will be reduced in the future by implementing actions that have been defined as part of the Compliance Monitoring (incl. hiring a Head of DGIEU Complaints) . In addition, a new French Compliance Officer was hired in FY21, who is also responsible for French Complaints Handling. Both will reduce complaints risk in the future.
- Other conduct risks identified as part of Compliance Monitoring Reviews, e.g., with regards to the implementation of the new Quality Assurance Process on distance selling practices.

DGIEU faces further **Risks in the Context of Brexit**:

- Brexit Tax Risk: Brexit tax risk is rated high. There are potential financial exposures resulting from Brexit, incl. tax exposure linked to the Part VII transfer.
- Risk of Non-Equivalence: In case, after Brexit, the supervisory regimes (UK and EEA) are not deemed to be equivalent, this will have an impact on the reinsurance agreement between DGIEU and DGI. In FY21 DGI received a financial strength rating from a nominated ECAI. This rating ensures the solvency of the counterparty, and the reinsurance agreement can remain unchanged, although there is a residual risk if DGI loses its rating. In case DGI loses its rating, DGI could place a letter of credit which covers the entirety of its reinsurance obligations to DGIEU. Even though DGIEU has already addressed the letter of credit issue, there is the risk that time is needed for putting it in place.
- Brexit Audit Risk: The Part VII transfer could lead to additional work in the annual audit and possibly result in audit findings. Furthermore, there is a risk to meeting the annual reporting deadlines due to additional audit effort. There is early coordination with the auditor to minimise risk. In addition, challenges related to the annual reporting were discussed in the Solvency II Working Group.

Furthermore, DGIEU has addressed **Sustainability Risks** in FY21. Sustainability risks are environmental, social, or governance events or conditions, which, if they occur have or may potentially have significant negative impacts on the assets, financial and earnings situation, or reputation of a supervised entity.

BaFin published guidance notice on dealing with sustainability risks in September 2019. In this context DGIEU ensures that sustainability risks are:

- Addressed and documented in an appropriate way (see principle of proportionality),
- Translated into existing risk categories (e.g., operational or insurance risk),
- Taken into account in the risk management system,
- Included in an existing or new strategy document, and
- Considered in the ORSA and Company-specific stress tests.

As a first step, the Company completed a sustainability risk assessment in FY21.

DGIEU identified two physical sustainability risks:

(1) There is a positive correlation between the temperature increase and the claims volumes and costs of the refrigeration segment, which could result in an underwriting risk. As the refrigeration segment only represents a very small share of DGIEU's portfolio, the impact is rated as "very low".

(2) There is the risk of business interruption due to environmental disasters (operational risk). DGIEU rated the impact of this risk as “very low", as numerous measures are in place that also supported the maintenance of operations during Covid-19. In addition, DGIEU has a geographical diversification due to the different locations so that if an environmental disaster occurs, this would only affect individual sites.

As a transitional sustainability risk the Company identified statements by the German Ministry of Justice on planned reforms to warranty periods in Germany. The current horizon scanning assessment for this risk is extreme as to perceived impact and unlikely to occur. Other transitional sustainability risks refer to changes in the legal guarantee in France and Spain, which will come into force from January 2022. DGIEU continues monitoring these as part of the horizon scanning and has a project in place.

DGIEU defined next steps to include the results of the sustainability risk assessment and the dealing with sustainability risks in the risk management framework.

C.7 Any other information

DGIEU carried out stress tests within its ORSA. The Company's latest ORSA was conducted in May/ June 2021, therefore the following findings refer to the ORSA carried out outside the actual reporting period:

DGIEU has stressed 7 scenarios within this ORSA, which includes a reverse stress test. The stress tests (1-6) show that in all circumstances, the regulatory solvency capital requirement (100%) is not breached. Within the reverse stress test (7) the extreme conditions, which were the intent of this test, show at what point the standard capital charge in the Solvency II model is exceeded. The probability '1 in 1.000 years' is supposed for the reverse stress test.

There is no other material information, regarding DGIEU’s risk profile, to report on.

D. VALUATION FOR SOLVENCY PURPOSES

Section D focuses on the Solvency II balance sheet and the valuation of assets and liabilities and shows where these valuations differ to the value in the statutory accounts. For each material class of assets, technical provisions, and other liabilities where there are differences, the following information is provided:

- A description of the bases, methods, and main assumptions used in arriving at the valuation for solvency purposes.
- Quantitative and qualitative explanations of material differences between the bases, methods, and main assumptions used for the valuation for solvency and financial statement purposes.

The Solvency II balance sheet is derived from the Company's German GAAP Financial statement, adjusted for valuation differences and reclassifications where required. The German GAAP financial statements ("financial statements") are prepared in accordance with the "code of commercial law" (Handelsgesetzbuch, HGB), "stock corporation law" (Aktiengesetz), VAG, and the "external accounting regulations for insurance companies" (Verordnung über die Rechnungslegung von Versicherungsunternehmen).

As an insurance company DGIEU prepares the financial statement and management report equal to a large-sized company in accordance to § 341a Abs. 1 HGB.

The GAAP financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, available for sale financial assets, and financial instruments held at fair value through profit or loss. Under Solvency II, assets and liabilities should be valued on a market consistent basis, which is deemed equivalent to fair value under IFRS. For assets and liabilities that are not stated at fair value under GAAP, adjustments are made to bring these in line with Solvency II where necessary. "Fair value" is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between marked participants at the measurement date. It is measured using assumptions that market participants would use in pricing the asset or liability, including assumptions about risk.

The material classes in the solo entity Solvency II balance sheet are shown in the table below.

Summary Solvency II Balance Sheet FY21

	Solvency II €000	Statutory €000	Difference €000
Assets			
Goodwill	0	38.798	-38.798
Intangible Assets	0	2.563	-2.563
Property, Plant and Equipment held for Own Use	1.587	559	1.029
Insurance and Intermediaries Receivables	288	9.033	-8.745
Trade Receivables	156	156	0
Cash and Cash Equivalents	70.932	70.932	0
Reinsurance Premium Provision	41.706	0	41.706
Reinsurance Claims Provision	4.734	0	4.734
Reinsurance Receivables	2.752	2.910	-158
Other Assets	0	7.561	-7.561
Total Assets	**122.155**	**132.511**	**-10.355**
Liabilities			
Technical Provisions - Non-Life	27.397	71.749	-44.352
Best Estimate	26.221	0	26.221
Risk Margin	1.175	0	1.175
Debts owed to Credit Institutions	1.074	0	1.074
Insurance and Intermediaries Payables	8.758	7.407	1.351
Payables (Trade, Not Insurance)	95	95	0
Provisions other than Technical Provisions	7.620	7.620	0
Reinsurance Payables	16.430	21.845	-5.415
Subordinated Liabilities	7.000	7.000	0
Deferred Tax Liability	19.235	0	19.235
Any Other Liabilities, Not Elsewhere Shown	5.460	5.340	120
Total Liabilities	**93.068**	**121.055**	**-27.987**
Excess of Assets over Liabilities	**29.087**	**11.456**	**17.631**

The main cause of differences in the SII and local GAAP figures between FY 20 and FY21 is the Part VII transfer.

D.1 Assets

Material Class	
• Deferred Acquisition Costs (DAC)	Deferred acquisition costs are valued at nil for Solvency II purposes. Any future cashflows relating to acquisitions costs are either included in the best estimate technical provisions or under insurance and intermediaries payable in the balance sheet. Under German GAAP, capitalisation of deferred acquisition costs is not permitted. 85% from commissions and other compensation of insurance sales personnel, relating to deferred premiums can be deducted from Unearned Premium Reserve ("UPR").
• Property, Plant and Equipment held for Own Use	Property, plant and equipment are held at Fair Value. Plant and equipment which are valued at depreciable value under German GAAP are valued at nil for Solvency II purposes.
• Investments and Cash	Investments are held at Fair Value where level 1 inputs can be obtained. Level 1 refers to the first level of the Fair Value hierarchy which categorises valuation inputs into three levels. The hierarchy gives the highest priority (Level 1) to quoted prices in an active market and the lowest priority to observable inputs in inactive markets (Level 3). Level 1 inputs Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable from the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices). The Company's investment portfolio is categorised as Level 1 and 2. The Company has no investments which are Level 3. Deposits other than cash equivalents comprise cash balances, call deposits, and term deposits with an original term date of less than three months. Cash and cash equivalents comprise any cash which can be accessed in no more than one day. Under German GAAP, investments are valued with acquisition costs or a lower attributed fair value. Cash is accounted with the nominal value.
• Insurance and Intermediaries Receivable	Insurance and intermediary receivables are recognised at fair value. Because these receivables are not yet due, they form part of the cashflows considered in the best estimate technical provision calculation (see D.2). Under German GAAP, insurance and intermediaries receivables are valued with acquisition costs. A lower attributed fair value is considered with a general or specific bad-debt provision.
• Any Other Assets, not Elsewhere Shown	Trade and other debtors are recognised at fair value. Other assets include prepayments. Prepayments are valued at nil if it cannot be demonstrated that they have a market value.

Material Class	
	Under German GAAP, other assets are valued with acquisition costs or a lower attributed fair value.
• Deferred Tax Assets	The deferred tax asset is netted with the deferred tax liability which resulted in a total net deferred tax liability in the Solvency II balance sheet. The deferred tax asset reflects the net deferred tax asset on a Solvency II basis which uses the valuation rules within the statutory accounts. The difference reflects the deferred tax impact of the revaluations made between German GAAP and Solvency II in the other balance sheet line items, primarily the changes to the Technical Provisions (see D.2). As the Company projected ongoing future taxable profits starting with FY25, the net deferred tax asset is assessed as recoverable. Under German GAAP, deferred tax assets or liabilities calculate the future tax impact of the revaluations made between German GAAP and tax GAAP. For DGIEU no deferred taxes are applicable (§ 274 Abs. 1 Satz 2 HGB).

There are no further assets at DGIEU. Therefore, there are no other items to report on.

D.2 Technical provisions

Technical Provisions – Best Estimate

Best estimate technical provisions by class are as follows:

Best Estimate (FY21) € '000	Premiums Provisions	Claims Provision	Risk Margin	Total
Gross of Reinsurance	20.615	5.607		26.221
Ceded to Reinsurance	41.706	4.734		46.440
Net of Reinsurance	-21.091	872	1.175	-19.043

Best Estimate (FY20) € '000	Premiums Provisions	Claims Provision	Risk Margin	Total
Gross of Reinsurance	-4.680	1.858		-2.822
Ceded to Reinsurance	10.222	1.600		11.822
Net of Reinsurance	-14.902	258	422	-14.222

The main cause of differences in the SII and local GAAP figures between FY 20 and FY21 is the Part VII transfer.

Bases, Methods, and Main Assumptions

The reserves under German GAAP are primarily unearned premium reserves based on earning patterns applied to the premiums written and earned out over the policy length. Solvency II technical provisions are based on a future cash flow basis and the German GAAP provision is removed.

Technical Provisions - Best Estimate

Technical Provisions represent a valuation of the Company's obligations towards policyholders. Under Solvency II these are required to be equal to the probability-weighted average of all future cashflows, taking account of the time value of money.

Best estimate technical provisions are comprised of a claims provision, premium provision, and a risk margin. The claims and premium provisions combined give the expected cost of settling all future claims arising from business that DGIEU is contractually obliged to cover. This includes an allowance for the expenses of both running the Company and of servicing claims such as claims handling staff costs. The risk margin relates to the cost of capital that would be incurred by another entity running off the liabilities while maintaining adequate capitalisation under Solvency II.

The claims provision and premium provision are calculated (and held on the balance sheet) separately for gross of reinsurance and ceded to reinsurance. The risk margin is calculated only based on the net technical provisions. The gross provisions are held as liabilities, while the ceded provisions are held as assets.

The estimation of future income and costs is based on business already written, as well as on business that has not yet incepted, but where the Company is obliged to offer cover, i.e., renewals already offered or quoted (Bound But Not Incepted – BBNI).

The gross claims provision is the discounted best estimate of all future cash-flows relating to claim events which occurred prior to the valuation date. These cash-flows are made up of expected claim payments related to claims which have been incurred and associated claim handling expenses. The level of claim payments includes a loading for Events Not In Data ("ENID").

The ceded claims provision is calculated as the discounted sum of cash-flows due from the reinsurer relating to claim events which occurred prior to the valuation date. This includes the reinsurer's share of future claim payments, including those related to ENIDs. It is assumed that the reinsurer does not make payments to DGIEU to cover claims handling expenses related to claims already incurred. This is in contrast to the premium provision, which includes future earned reinsurance commissions. The ceded claims provision is reduced slightly to take account of expected future reinsurer defaults.

The gross premium provision is the discounted best estimate of all future cash-flows relating to future exposure arising from policies that the Company is obligated to cover at the valuation date. The calculation makes assumptions about the levels of future lapses and cancellations. The cash-flows are made up of:

Cash out-flows:

- Claim payments, including those related to BBNI policies. The level of claim payments includes a loading for Events Not In Data ("ENID"),
- Expenses related to claims handling, administration, overheads and investment management,
- Acquisition expenses for BBNI policies, and
- Insurance Premium Tax ("IPT") on future premium income.

Cash in-flows:

- Future premium income (warranty debtors and tacit renewals) and
- Commission clawback and IPT refunds on expected lapses or cancellations.

The ceded premium provision is calculated as the discounted sum of cash-flows due from the reinsurer relating to future exposure arising from policies that the Company is obligated to cover at the valuation date.

The estimates of future cashflows for claims paid by the reinsurer, including those related to ENIDs, are calculated as 90% of the estimates of future cashflows, gross of reinsurance, including those related to ENIDs. It is assumed that all overhead and administration expenses are borne by DGIEU, not the reinsurer, so that no cashflows relating to expenses, which are captured within the gross premium provision, are included within the ceded premium provision. The ceded premium provision also includes cashflows relating to the reinsurer's share of any future premium net of ceding commission.

Technical Provisions – Risk Margin

A further risk margin amount is included within the technical provisions. The risk margin relates to the cost of capital that would be incurred by another entity running off the liabilities while maintaining adequate capitalisation under Solvency II.

The risk margin is defined within Article 77 of the Directive as:

"The risk margin shall be such as to ensure that the value of the technical provisions is equivalent to the amount that insurance and reinsurance undertakings would be expected to require in order to take over and meet the insurance and reinsurance obligations."

The Solvency II rules stipulate that the risk margin for the whole portfolio of insurance obligations should be calculated using the following formula:

$$RM = CoC \times \sum_{t \geq 0} \frac{SCR(t)}{(1 + r_{t+1})^{t+1}}$$

where CoC is the Cost of Capital (prescribed at 6%), SCR(t) is the Solvency Capital Required at time t, and rt is the risk-free rate for maturity at time t.

The Company uses the second simplification as referred to in guideline 62 of the document Guidelines on the Valuation of Technical Provisions for the calculation of the risk margin, which is applied as follows:

- To approximate the whole SCR for each future year, undertakings can multiply the SCR at the valuation date by the ratio of the best estimate TPs (i.e., those prior to application of the risk margin) at that future year to the best estimate TPs at the valuation date, providing that it is reasonable to assume that the risk profile will be unchanged over time.
- The SCR considered at the valuation date should include the following risks:
  - Non-life underwriting risk,
  - Reinsurance counterparty default risk, and
  - Operational risk.

The SCRs are then discounted to the valuation date using the prescribed EIOPA yield curve, summed, and multiplied by the Cost of Capital factor (presently 6%) to determine the Risk Margin.

Material Changes in Assumptions

There has been a change in the methodology in respect of the ceded premium provision. As at 31 March 2020, DGIEU did not cede any technical provision cashflows relating to the reinsurer's share of any future premium to the reinsurer. It also does not receive any technical provisions cashflows relating to the reinsurance commission, as these were captured within the retained premium. Instead of these technical provisions cashflows, DGIEU had set up a reinsurance payable liability item on its Solvency II balance sheet, reflecting the amounts owed to the reinsurer. However, during the period, the balance of reinsurance payables was settled, and DGIEU now cedes premiums and claims as discussed in the section "Technical Provisions - Best Estimate".

Key Uncertainties

There are many areas of uncertainty within the technical provisions. Estimation techniques are therefore used in the calculation of the ultimate cost of settling both claims that have occurred prior to the balance sheet date, and remain unsettled at the balance sheet date, and claims costs that will arise in relation to events that have not happened at the balance sheet date.

DGIEU uses a bespoke method for calculating fair value Incurred But Not Reported ("IBNR") for extended warranty insurance business. The DGIEU IBNR method accounts for both changes in exposure and differences in the size of projected payment, based on the age of a claim. For DGIEU portfolios, the methodology is based on monthly incremental paid data (i.e., cash flows) related to accident month cohorts, separately for segments defined for the Solvency II Best Estimate calculation. The Actuarial Function has completed a reserve review, independently validating the results of the bespoke approach as at FY20 and FY21.

Reconciliation to Statutory Values

€ '000	2021
German GAAP Technical Provision	71.749
Adjustment to Gross Solvency II Best Estimate	-45.527
Gross Best Estimate Liability	**26.221**
Remove Ceded Best Estimate	46.440
Net Best Estimate Liability	**-20.219**
Add Risk Margin	1.175
Solvency II Technical Provision	**-19.043**

€ '000	2020
German GAAP Technical Provision	5.059
Adjustment to Gross Solvency II Best Estimate	-7.881
Gross Best Estimate Liability	**-2.822**
Remove Ceded Best Estimate	-11.822
Net Best Estimate Liability	**-14.644**
Add Risk Margin	422
Solvency II Technical Provision	**-14.222**

The comparison of the Reconciliation to Statutory Values (FY20 and FY21) is mainly impacted by and in consequence of the Part VII transfer in December 2020.

The Solvency II technical provisions for the Company are estimated on a best estimate cash flow basis. The primary adjustments to move from a German GAAP to a Solvency II basis are as follows:

Removal of German GAAP Reserves

- Removal of the unearned premium from the starting position of the German GAAP reserves as this is not on a cash flow basis and

- Removal of the margins within the German GAAP claims reserves as the Solvency II technical provisions are on a best estimate basis.

Solvency II Specific Adjustments

- Inclusion of claims provision which is the cost of claims for events which have occurred prior to the valuation date, estimated on a future cash flow basis,
- Inclusion of an allowance for expenses which is required to service the run-off of the technical provisions,
- Inclusion of premiums provision which is the future cost arising from policies obligated to at the valuation date,
- Recognition of cash flows relating to business bound before, but incepting after the valuation date,
- Recognition of future cash inflows for existing business less an allowance for policies lapsing,
- The inclusion of an additional cost for Events Not In Data,
- The impact of discounting the cash flows above using the risk-free yield curve, and
- The inclusion of the risk margin as shown separately in the table above.

Adjustments and Simplifications

The Matching Adjustment and Volatility Adjustment have not been applied in the calculation of technical provisions.

The transitional risk-free interest rate term structure as per Article 308c of the Directive has not been applied in the calculation of Technical Provisions.

The transitional deduction as per Article 308d of the Directive has not been applied in the calculation of Technical Provisions of 31 March 2021.

D.3 Other liabilities

Other liabilities represent provisions for estimated costs incurred but not yet billed or paid. Estimates are periodically reviewed and changes are reflected in the income statement as they occur.

Material Class	
• Insurance and Intermediaries Payable	Insurance and intermediaries payables are recognised at fair value. As they have been authorised for settlement, they do not form part of the cashflows considered in the best estimate technical provision calculation. Under German GAAP, insurance and intermediaries payable are valued with the settlement amount.
• Payables (Trade, Not Insurance)	Trade payables under German GAAP include Insurance Premium Tax ("IPT") costs which, as they relate to insurance and intermediary debtors receivable, form part of the cashflows considered in the best estimate technical provision calculation (see D.2). Under German GAAP, Trade payables are valued at the settlement / repayment amount.
• Deferred Tax Liabilities	The deferred tax liability is netted with the deferred tax asset which resulted in a total net deferred tax liability in the Solvency II balance sheet. The difference reflects the deferred tax impact of the revaluations made between German GAAP and Solvency II in the other balance sheet line items, primarily the changes to the Technical Provisions (see D.2). As the Company projected ongoing future taxable profits starting with FY25, the net deferred tax asset is assessed as recoverable.

Material Class	
	Under German GAAP, deferred tax assets or liabilities calculate the future tax impact of the revaluations made between German GAAP and tax GAAP. For DGIEU no deferred taxes are applicable (§ 274 Abs. 1 Satz 2 HGB).
• Other Liabilities	Other liabilities are measured at fair value and represent provisions for estimated costs incurred but not yet billed or paid. Estimates are periodically reviewed and changes are reflected in the income statement as they occur. Under German GAAP, other liabilities are valued with the expected settlement amount.

There are no further other liabilities at DGIEU. Therefore, there are no other items to report on.

D.4 Alternative methods for valuation

Property has been valued based on a market rent benchmark incorporating characteristics of similar assets.

At the year-end, the Company had annual commitments under non-cancellable operating leases as set out below:

	Land and Buildings 2021 € '000	Land and Buildings 2020 € '000
Operating Leases which expire:		
within one year	238	235
within one to five years	1.516	2.107
over five years	0	441
	1.754	**2.783**

D.5 Any other information

There is no other material information to report.

E. CAPITAL MANAGEMENT

The Solvency Ratio is calculated as the ratio of Eligible Own Funds to the Solvency Capital Requirement (SCR).

There are limits for the calculation of the Solvency Ratio.

The following quantitative limits are set for the Solvency Capital Requirement:

- The allowable amount of Tier 1 own funds must be at least 50% of the Solvency Capital Requirement,
- The allowable amount of Tier 3 own funds must not exceed 15% of the Solvency Capital Requirement,
- The sum of allowable Tier 2 and Tier 3 own funds must not exceed 50% of the Solvency Capital Requirement.

The following quantitative limits shall apply to the Minimum Capital Requirement:

- The allowable amount of Tier 1 own funds must be at least 80% of the Minimum Capital Requirement,
- The allowable amount of Tier 2 own funds must not exceed 20% of the Minimum Capital Requirement.

This section contains reconciliation from the IFRS net assets to the Solvency II excess of assets over liabilities that forms part of Tier 1 Own Funds. The individual material classes of assets, technical provisions, and liabilities are considered in sections D.1, D.2 and D.3, respectively.

The Company's capital position as of 31 March 2021 is as follows:

	2021 € '000	2020 € '000
Eligible Own Funds	36.087	15.329
Solvency Capital Requirement (SCR)	14.347	7.432
Ratio of Eligible Own Funds to the SCR	252%	206%

Compared to FY20, the increase of Eligible Own Funds (+135%) exceeds the increase of the Solvency Capital Requirement (+93%) which led to an increased Ratio of Eligible Own Funds to the SCR by 46 %-points.

E.1 Own funds

Capital Management Objectives

The Directors' primary objective in respect of capital management is to ensure the Company maintains sufficient financial resources to meet all obligations as they fall due, including meeting the MCR and SCR requirements plus a buffer.

DGIEU has embedded its capital management processes into its normal planning, reporting, and decision-making activities. Capital projections are undertaken each year as part of the budgeting and ORSA processes and also as part of the planning process. The Directors review the capital position of DGIEU each quarter.

The Company is well capitalised under the Solvency II standard model (no USPs in FY21) and on the basis of its ORSA.

Classification of Own Funds by Tier

DGIEU's own funds in its Solvency II balance sheet were made up as follows:

FY21	**Tier**	**Total available own funds to meet the SCR €'000**	**Total available own funds to meet the MCR €'000**	**Total eligible own funds to meet the SCR € '000**	**Total eligible own funds to meet the MCR €'000**
Ordinary Share Capital	Tier 1	2.550	2.550	2.550	2.550
Share Premium	Tier 1	250	250	250	250
Reconciliation Reserve	Tier 1	26.287	26.287	26.287	26.287
Subordinated Liabilities	Tier 2	7.000	7.000	7.000	717
Deferred Tax Assets	Tier 3	0	0	0	0
Own Funds		**36.087**	**36.087**	**36.087**	**29.804**

FY20	**Tier**	**Total available own funds to meet the SCR €'000**	**Total available own funds to meet the MCR €'000**	**Total eligible own funds to meet the SCR € '000**	**Total eligible own funds to meet the MCR €'000**
Ordinary Share Capital	Tier 1	2.550	2.550	2.550	2.550
Share Premium	Tier 1	250	250	250	250
Reconciliation Reserve	Tier 1	8.813	8.813	8.813	8.813
Subordinated Liabilities	Tier 2	22.000	22.000	3.716	500
Deferred Tax Assets	Tier 3	4.359			
Own Funds		**37.971**	**33.613**	**15.329**	**12.113**

Eligible Own Funds to cover the SCR relate to Tier 1 (FY21: €29.087k; FY20: €11.613k) and Tier 2 (FY21: €7.000k; FY20: €3.716k). There are no conditions attached to elements of those Own Funds. The Tier 2 funds relate to a subordinated loan agreement with Domestic & General Services PTY Ltd., Australia.

The comparison of Own Funds by Tier classification (FY20 and FY21) is mainly impacted in relation to the reconciliation reserve by the Part VII transfer in December 2020. The subordinated loan with Domestic & General Services PTY Ltd., Australia was partly repaid in April 2020 (€15m).

There are certain differences between the value of Own Funds under Solvency II and the value of Equity shown in the Company's Financial Statements. These arise due to the difference in valuation of assets and liabilities described in Section D of this report. A reconciliation is shown in the table below.

Reconciliation Between German GAAP and Solvency II Reserves	2021 € '000
German GAAP Capital and Reserves	11.456
German GAAP Goodwill	-41.361
Difference in Valuation of Technical Provision Related Items	44.352
Deferred Tax Assets on Solvency II Revaluation Losses	19.259
Other Valuation Differences	-4.619
Difference of Excess of Assets over Liabilities	29.087
Subordinated Liabilities	7.000
Available Own Funds to cover the SCR	**36.087**

Reconciliation Between German GAAP and Solvency II Reserves	2020 € '000
German GAAP Capital and Reserves	24.820
German GAAP Goodwill	-12.075
Difference in Valuation of Technical Provision Related Items	7.459
Deferred Tax Assets on Solvency II Revaluation Losses	4.359
Other Valuation Differences	-8.592
Difference of Excess of Assets over Liabilities	15.971
Subordinated Liabilities	22.000
Available Own Funds to cover the SCR	**37.971**

None of the Company's Own Funds are subject to transitional arrangements and the Company has no Ancillary Own Funds.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

DGIEU only writes insurance policies in the miscellaneous financial loss line of business. It uses the Solvency II standard formula without the use of undertaking specific parameters.

Capital Requirement	2021 € '000	2020 € '000
SCR	14.347	7.432
MCR	3.587	2.500

E.2.1 Solvency Capital Requirement (SCR)

The Company's SCR split by risk modules as of 31 March 2021 is shown in the table below.

SCR	2021 € '000	2020 € '000
Non-life Underwriting Risk	10.407	3.878
Market Risk	787	552
Counterparty Default Risk	8.037	3.308
Diversification Credit	-2.970	-1.327
Basic SCR	16.261	6.411
Operational Risk	2.869	1.022
Loss absorbing capacity of deferred taxes	-4.782	0
SCR	**14.347**	**7.432**

The movements in the Solvency Capital Requirement (FY20 and FY21) are mainly as a result of the Part VII transfer.

E.2.2 Minimum Capital Requirement (MCR)

The Company calculates its linear MCR using the prescribed formula. This is then compared with the absolute floor of the MCR, the MCR cap and the MCR floor. Both the cap and floor are determined using the SCR.

Overall MCR Calculation	2021 € '000	2020 € '000
Linear MCR	1.401	914
SCR	14.347	7.432
MCR Cap	6.456	3.345
MCR Floor	3.587	1.858
Combined MCR	3.587	1.858
Absolute Floor of the MCR	2.500	2.500
Minimum Capital Requirement	**3.587**	**2.500**

E.3 Use of the duration-based equity sub-module in the calculation of the Solvency Capital Requirement

The duration-based equity sub-module has not been used in the calculation of the Solvency Capital Requirement.

E.4 Differences between the standard formula and any internal model used

Not applicable – as no internal model has been used during the reporting period.

E.5 Non-compliance with the Minimum Capital Requirement and non-compliance with the Solvency Capital Requirement

There have been no instances of non-compliance with the Minimum Capital Requirement or the Solvency Capital Requirement during the period.

E.6 Any other information

No other material information on capital management is available at DGIEU.

ANNEX – QUANTITATIVE REPORTING TEMPLATES

The following templates form part of the published SFCR report:

S.02.01.02	Balance Sheet
S.05.01.02	Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)
S.05.02.01	Premiums, claims and expenses by country
S.17.01.02	Non-life Technical Provisions
S.19.01.21	Non-life insurance claims information
S.23.01.01	Own Funds (solo undertaking)
S.25.01.21	Solvency Capital Requirement – for undertakings on Standard Formula
S.28.01.01	Minimum Capital Requirement

All are in €000's

S.02.01.02 – Solvency II Balance Sheet – 1/2

		Solvency II value	Statutory accounts value	Reclassification adjustments
		C0010	C0020	EC0021
Rows				
Assets				
Goodwill	R0010		38.798	
Deferred acquisition costs	R0020			
Intangible assets	R0030		2.563	
Deferred tax assets	R0040	0	0	
Pension benefit surplus	R0050			
Property, plant & equipment held for own use	R0060	1.587	559	
Investments (other than assets held for index-linked and unit-linked contracts)	R0070			
Property (other than for own use)	R0080			
Holdings in related undertakings, including participations	R0090			
Equities	R0100			
Equities - listed	R0110			
Equities - unlisted	R0120			
Bonds	R0130			
Government Bonds	R0140			
Corporate Bonds	R0150			
Structured notes	R0160			
Collateralised securities	R0170			
Collective Investments Undertakings	R0180			
Derivatives	R0190			
Deposits other than cash equivalents	R0200			
Other investments	R0210			
Assets held for index-linked and unit-linked contracts	R0220			
Loans and mortgages	R0230			
Loans on policies	R0240			
Loans and mortgages to individuals	R0250			
Other loans and mortgages	R0260			
Reinsurance recoverables from:	R0270	46.440		
Non-life and health similar to non-life	R0280	46.440		
Non-life excluding health	R0290	46.440		
Health similar to non-life	R0300			
Life and health similar to life, excluding health and index-linked and unit-linked	R0310			
Health similar to life	R0320			
Life excluding health and index-linked and unit-linked	R0330			
Life index-linked and unit-linked	R0340			
Deposits to cedants	R0350			
Insurance and intermediaries receivables	R0360	288	9.033	
Reinsurance receivables	R0370	2.752	2.910	
Receivables (trade, not insurance)	R0380	156	277	
Own shares (held directly)	R0390			
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400			
Cash and cash equivalents	R0410	70.932	70.932	
Any other assets, not elsewhere shown	R0420		7.440	
Total assets	R0500	122.155	132.511	

S.02.01.02 – Solvency II Balance Sheet – 2/2

		Columns		
		Solvency II value	Statutory accounts value	Reclassification adjustments
		C0010	C0020	EC0021
Rows				
Liabilities				
Technical provisions – non-life	R0510	27.397	71.749	
Technical provisions – non-life (excluding health)	R0520	27.397	71.749	
Technical provisions calculated as a whole	R0530			
Best Estimate	R0540	26.221		
Risk margin	R0550	1.175		
Technical provisions - health (similar to non-life)	R0560			
Technical provisions calculated as a whole	R0570			
Best Estimate	R0580			
Risk margin	R0590			
Technical provisions - life (excluding index-linked and unit-linked)	R0600			
Technical provisions - health (similar to life)	R0610			
Technical provisions calculated as a whole	R0620			
Best Estimate	R0630			
Risk margin	R0640			
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650			
Technical provisions calculated as a whole	R0660			
Best Estimate	R0670			
Risk margin	R0680			
Technical provisions – index-linked and unit-linked	R0690			
Technical provisions calculated as a whole	R0700			
Best Estimate	R0710			
Risk margin	R0720			
Other technical provisions	R0730			
Contingent liabilities	R0740			
Provisions other than technical provisions	R0750	7.620	7.620	
Pension benefit obligations	R0760			
Deposits from reinsurers	R0770			
Deferred tax liabilities	R0780	19.235	0	
Derivatives	R0790			
Debts owed to credit institutions	R0800	1.074	0	
Financial liabilities other than debts owed to credit institutions	R0810			
Insurance & intermediaries payables	R0820	8.758	7.407	
Reinsurance payables	R0830	16.430	21.845	
Payables (trade, not insurance)	R0840	95	95	
Subordinated liabilities	R0850	7.000	7.000	
Subordinated liabilities not in Basic Own Funds	R0860			
Subordinated liabilities in Basic Own Funds	R0870	7.000	7.000	
Any other liabilities, not elsewhere shown	R0880	5.460	5.340	
Total liabilities	R0900	93.068	121.055	
Excess of assets over liabilities	R1000	29.087	11.456	

S.05.01.02 – Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance) – 1/2

		Columns							
		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)							
		Medical expense insurance	Income protection	Workers' compensation	Motor vehicle liability	Other motor insurance	Marine, aviation and transport	Fire and other damage to	General liability insurance
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080
Rows									
Premiums written									
Gross - Direct Business	R0110								
Gross - Proportional reinsurance accepted	R0120								
Gross - Non-proportional reinsurance accepted	R0130								
Reinsurers' share	R0140								
Net	R0200								
Premiums earned									
Gross - Direct Business	R0210								
Gross - Proportional reinsurance accepted	R0220								
Gross - Non-proportional reinsurance accepted	R0230								
Reinsurers' share	R0240								
Net	R0300								
Claims incurred									
Gross - Direct Business	R0310								
Gross - Proportional reinsurance accepted	R0320								
Gross - Non-proportional reinsurance accepted	R0330								
Reinsurers' share	R0340								
Net	R0400								
Changes in other technical provisions									
Gross - Direct Business	R0410								
Gross - Proportional reinsurance accepted	R0420								
Gross - Non- proportional reinsurance accepted	R0430								
Reinsurers' share	R0440								
Net	R0500								
Expenses incurred	R0550								
Administrative expenses									
Gross - Direct Business	R0610								
Gross - Proportional reinsurance accepted	R0620								
Gross - Non-proportional reinsurance accepted	R0630								
Reinsurers' share	R0640								
Net	R0700								
Investment management expenses									
Gross - Direct Business	R0710								
Gross - Proportional reinsurance accepted	R0720								
Gross - Non-proportional reinsurance accepted	R0730								
Reinsurers' share	R0740								
Net	R0800								
Claims management expenses									
Gross - Direct Business	R0810								
Gross - Proportional reinsurance accepted	R0820								
Gross - Non-proportional reinsurance accepted	R0830								
Reinsurers' share	R0840								
Net	R0900								
Acquisition expenses									
Gross - Direct Business	R0910								
Gross - Proportional reinsurance accepted	R0920								
Gross - Non-proportional reinsurance accepted	R0930								
Reinsurers' share	R0940								
Net	R1000								
Overhead expenses									
Gross - Direct Business	R1010								
Gross - Proportional reinsurance accepted	R1020								
Gross - Non-proportional reinsurance accepted	R1030								
Reinsurers' share	R1040								
Net	R1100								
Other expenses	R1200								
Total expenses	R1300								

S.05.01.02 – Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance) – 2/2

		Columns								
		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)				Line of Business for: accepted non-proportional reinsurance				Total
		Credit and suretyship	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Rows										
Premiums written										
Gross - Direct Business	R0110				99.314					99.314
Gross - Proportional reinsurance accepted	R0120									
Gross - Non-proportional reinsurance accepted	R0130									
Reinsurers' share	R0140				170.185					170.185
Net	R0200				-70.871					-70.871
Premiums earned										
Gross - Direct Business	R0210				80.271					80.271
Gross - Proportional reinsurance accepted	R0220									
Gross - Non-proportional reinsurance accepted	R0230									
Reinsurers' share	R0240				124.917					124.917
Net	R0300				-44.646					-44.646
Claims incurred										
Gross - Direct Business	R0310				25.797					25.797
Gross - Proportional reinsurance accepted	R0320									
Gross - Non-proportional reinsurance accepted	R0330									
Reinsurers' share	R0340				25.760					25.760
Net	R0400				37					37
Changes in other technical provisions										
Gross - Direct Business	R0410									
Gross - Proportional reinsurance accepted	R0420									
Gross - Non- proportional reinsurance accepted	R0430									
Reinsurers' share	R0440									
Net	R0500									
Expenses incurred	R0550				-12.122					-12.122
Administrative expenses										
Gross - Direct Business	R0610				17.854					17.854
Gross - Proportional reinsurance accepted	R0620									
Gross - Non-proportional reinsurance accepted	R0630									
Reinsurers' share	R0640				0					0
Net	R0700				17.854					17.854
Investment management expenses										
Gross - Direct Business	R0710									
Gross - Proportional reinsurance accepted	R0720									
Gross - Non-proportional reinsurance accepted	R0730									
Reinsurers' share	R0740									
Net	R0800									
Claims management expenses										
Gross - Direct Business	R0810									
Gross - Proportional reinsurance accepted	R0820									
Gross - Non-proportional reinsurance accepted	R0830									
Reinsurers' share	R0840									
Net	R0900									
Acquisition expenses										
Gross - Direct Business	R0910				75.839					75.839
Gross - Proportional reinsurance accepted	R0920									
Gross - Non-proportional reinsurance accepted	R0930									
Reinsurers' share	R0940				105.814					105.814
Net	R1000				-29.976					-29.976
Overhead expenses										
Gross - Direct Business	R1010									
Gross - Proportional reinsurance accepted	R1020									
Gross - Non-proportional reinsurance accepted	R1030									
Reinsurers' share	R1040									
Net	R1100				0					0
Other expenses	R1200									
Total expenses	R1300									-12.122

S.05.02.01 – Premiums, claims, and expenses by country

		Columns	Columns	Columns	Columns	Columns	Columns	Columns
		Home country	Country (by amount of gross premiums	Country (by amount of gross premiums	Country (by amount of gross premiums	Country (by amount of gross premiums	Country (by amount of gross premiums	Total Top 5 and home country
		C0080	C0090	C0090	C0090	C0090	C0090	C0140
			SPAIN	PORTUGAL	IRELAND	NETHERLANDS	BELGIUM	
Rows								
Premiums written								
Gross - Direct Business	R0110	13.286	53.424	28.146	1.419	812	769	97.857
Gross - Proportional reinsurance accepted	R0120							
Gross - Non-proportional reinsurance accepted	R0130							
Reinsurers' share	R0140	22.768	91.547	48.231	2.432	1.392	1.318	167.689
Net	R0200	-9.481	-38.124	-20.085	-1.013	-580	-549	-69.831
Premiums earned								
Gross - Direct Business	R0210	15.104	38.030	22.639	1.407	1.005	822	79.007
Gross - Proportional reinsurance accepted	R0220							
Gross - Non-proportional reinsurance accepted	R0230							
Reinsurers' share	R0240	27.089	54.954	35.139	2.404	1.851	1.443	122.880
Net	R0300	-11.985	-16.924	-12.501	-996	-846	-621	-43.873
Claims incurred								
Gross - Direct Business	R0310	5.126	12.752	5.158	392	652	588	24.668
Gross - Proportional reinsurance accepted	R0320							
Gross - Non-proportional reinsurance accepted	R0330							
Reinsurers' share	R0340	5.118	12.734	5.151	391	652	587	24.633
Net	R0400	7	18	7	1	1	1	35
Changes in other technical provisions								
Gross - Direct Business	R0410	0	0	0	0	0	0	
Gross - Proportional reinsurance accepted	R0420							
Gross - Non-proportional reinsurance accepted	R0430							
Reinsurers' share	R0440	0	0	0	0	0	0	
Net	R0500	0	0	0	0	0	0	
Expenses incurred	R0550	18.850	-22.251	-10.962	-1.028	752	-31	-14.671
Other expenses	R1200							
Total expenses	R1300							-14.671

S.17.01.02 – Non-life Technical Provisions – 1/2

		Columns						
		Direct business and accepted proportional reinsurance						
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance
		C0020	C0030	C0040	C0050	C0060	C0070	C0080
Rows								
Technical provisions calculated as a whole	R0010							
Direct business	R0020							
Accepted proportional reinsurance business	R0030							
Accepted non-proportional reinsurance	R0040							
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050							
Technical provisions calculated as a sum of BE and RM								
Best estimate								
Premium provisions								
Gross - Total	R0060							
Gross - direct business	R0070							
Gross - accepted proportional reinsurance business	R0080							
Gross - accepted non-proportional reinsurance business	R0090							
Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0100							
Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses	R0110							
Recoverables from SPV before adjustment for expected losses	R0120							
Recoverables from Finite Reinsurance before adjustment for expected losses	R0130							
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140							
Net Best Estimate of Premium Provisions	R0150							
Claims provisions								
Gross - Total	R0160							
Gross - direct business	R0170							
Gross - accepted proportional reinsurance business	R0180							
Gross - accepted non-proportional reinsurance business	R0190							
Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0200							
Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses	R0210							
Recoverables from SPV before adjustment for expected losses	R0220							
Recoverables from Finite Reinsurance before adjustment for expected losses	R0230							
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240							
Net Best Estimate of Claims Provisions	R0250							
Total Best estimate - gross	R0260							
Total Best estimate - net	R0270							
Risk margin	R0280							
Amount of the transitional on Technical Provisions								
TP as a whole	R0290							
Best estimate	R0300							
Risk margin	R0310							
Technical provisions - total								
Technical provisions - total	R0320							
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330							
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340							
Line of Business: further segmentation (Homogeneous Risk Groups)								
Premium provisions - Total number of homogeneous risk groups	R0350							
Claims provisions - Total number of homogeneous risk groups	R0360							
Cash-flows of the Best estimate of Premium Provisions (Gross)								
Cash out-flows								
Future benefits and claims	R0370							
Future expenses and other cash-out flows	R0380							
Cash in-flows								
Future premiums	R0390							
Other cash-in flows (incl. Recoverable from salvages and subrogations)	R0400							
Cash-flows of the Best estimate of Claims Provisions (Gross)								
Cash out-flows								
Future benefits and claims	R0410							
Future expenses and other cash-out flows	R0420							
Cash in-flows								
Future premiums	R0430							
Other cash-in flows (incl. Recoverable from salvages and subrogations)	R0440							
Percentage of gross Best Estimate calculated using approximations	R0450							
Best estimate subject to transitional of the interest rate	R0460							
Technical provisions without transitional on interest rate	R0470							
Best estimate subject to volatility adjustment	R0480							
Technical provisions without volatility adjustment and without others transitional measures	R0490							

S.17.01.02 – Non-life Technical Provisions – 2/2

		Columns					
		Direct business and accepted proportional reinsurance					Total Non-Life obligation
		General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	
		C0090	C0100	C0110	C0120	C0130	C0180
Rows							
Technical provisions calculated as a whole	R0010						
Direct business	R0020						
Accepted proportional reinsurance business	R0030						
Accepted non-proportional reinsurance	R0040						
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050						
Technical provisions calculated as a sum of BE and RM							
Best estimate							
Premium provisions							
Gross - Total	R0060					20.615	20.615
Gross - direct business	R0070					20.615	20.615
Gross - accepted proportional reinsurance business	R0080						
Gross - accepted non-proportional reinsurance business	R0090						
Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0100					41.961	41.961
Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses	R0110					41.961	41.961
Recoverables from SPV before adjustment for expected losses	R0120						
Recoverables from Finite Reinsurance before adjustment for expected losses	R0130						
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140					41.706	41.706
Net Best Estimate of Premium Provisions	R0150					-21.091	-21.091
Claims provisions							
Gross - Total	R0160					5.607	5.607
Gross - direct business	R0170					5.607	5.607
Gross - accepted proportional reinsurance business	R0180						
Gross - accepted non-proportional reinsurance business	R0190						
Total recoverable from reinsurance/SPV and Finite Re before the adjustment for expected losses due to counterparty default	R0200					4.746	4.746
Recoverables from reinsurance (except SPV and Finite Reinsurance) before adjustment for expected losses	R0210					4.746	4.746
Recoverables from SPV before adjustment for expected losses	R0220						
Recoverables from Finite Reinsurance before adjustment for expected losses	R0230						
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240					4.734	4.734
Net Best Estimate of Claims Provisions	R0250					872	872
Total Best estimate - gross	R0260					26.221	26.221
Total Best estimate - net	R0270					-20.219	-20.219
Risk margin	R0280					1.175	1.175
Amount of the transitional on Technical Provisions							
TP as a whole	R0290						
Best estimate	R0300						
Risk margin	R0310						
Technical provisions - total							
Technical provisions - total	R0320					27.397	27.397
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330					46.440	46.440
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	R0340					-19.043	-19.043
Line of Business: further segmentation (Homogeneous Risk Groups)							
Premium provisions - Total number of homogeneous risk groups	R0350					0	
Claims provisions - Total number of homogeneous risk groups	R0360					0	
Cash-flows of the Best estimate of Premium Provisions (Gross)							
Cash out-flows							
Future benefits and claims	R0370						
Future expenses and other cash-out flows	R0380						
Cash in-flows							
Future premiums	R0390					-9.963	-9.963
Other cash-in flows (incl. Recoverable from salvages and subrogations)	R0400					-33.722	-33.722
Cash-flows of the Best estimate of Claims Provisions (Gross)							
Cash out-flows							
Future benefits and claims	R0410					0	0
Future expenses and other cash-out flows	R0420					3	3
Cash in-flows							
Future premiums	R0430						
Other cash-in flows (incl. Recoverable from salvages and subrogations)	R0440						
Percentage of gross Best Estimate calculated using approximations	R0450						
Best estimate subject to transitional of the interest rate	R0460						
Technical provisions without transitional on interest rate	R0470						
Best estimate subject to volatility adjustment	R0480						
Technical provisions without volatility adjustment and without others transitional measures	R0490						

S.19.01.21 – Non-life insurance claims information – 1/3

Gross Claims Paid (non-cumulative)

		Columns															
		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160
Rows																	
Prior	R0100																
N-14	R0110																
N-13	R0120																
N-12	R0130																
N-11	R0140																
N-10	R0150																
N-9	R0160																
N-8	R0170																
N-7	R0180																
N-6	R0190																
N-5	R0200																
N-4	R0210																
N-3	R0220																
N-2	R0230																
N-1	R0240	993	439														
N	R0250	20.551															

		Columns	
		In Current year	Sum of years (cumulative)
		C0170	C0180
Rows			
Prior	R0100		
N-14	R0110		
N-13	R0120		
N-12	R0130		
N-11	R0140		
N-10	R0150		
N-9	R0160		
N-8	R0170		
N-7	R0180		
N-6	R0190		
N-5	R0200		
N-4	R0210		
N-3	R0220		
N-2	R0230		
N-1	R0240		
N	R0250		
Total	R0260		

Gross Undiscounted Best Estimate Claims Provisions

		Columns															
		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300	C0310	C0320	C0330	C0340	C0350
Rows																	
Prior	R0100																
N-14	R0110																
N-13	R0120																
N-12	R0130																
N-11	R0140																
N-10	R0150																
N-9	R0160																
N-8	R0170																
N-7	R0180																
N-6	R0190																
N-5	R0200																
N-4	R0210																
N-3	R0220																
N-2	R0230																
N-1	R0240	1.855															
N	R0250	5.589															

		Columns
		Year end
		C0360
Rows		
Prior	R0100	
N-14	R0110	
N-13	R0120	
N-12	R0130	
N-11	R0140	
N-10	R0150	
N-9	R0160	
N-8	R0170	
N-7	R0180	
N-6	R0190	
N-5	R0200	
N-4	R0210	
N-3	R0220	
N-2	R0230	
N-1	R0240	
N	R0250	
Total	R0260	

S.19.01.21 – Non-life insurance claims information – 2/3

Reinsurance Recoveries Received (non-cumulative)

		Columns															
		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15 & +
		C0600	C0610	C0620	C0630	C0640	C0650	C0660	C0670	C0680	C0690	C0700	C0710	C0720	C0730	C0740	C0750
Rows																	
Prior	R0300																
N-14	R0310																
N-13	R0320																
N-12	R0330																
N-11	R0340																
N-10	R0350																
N-9	R0360																
N-8	R0370																
N-7	R0380																
N-6	R0390																
N-5	R0400																
N-4	R0410																
N-3	R0420																
N-2	R0430																
N-1	R0440	894	396														
N	R0450	18.496															

		Columns	
		In Current year	Sum of years (cumulative)
		C0760	C0770
Rows			
Prior	R0300		
N-14	R0310		
N-13	R0320		
N-12	R0330		
N-11	R0340		
N-10	R0350		
N-9	R0360		
N-8	R0370		
N-7	R0380		
N-6	R0390		
N-5	R0400		
N-4	R0410		
N-3	R0420		
N-2	R0430		
N-1	R0440		
N	R0450		
Total	R0460		

Undiscounted Best Estimate Claims Provisions - Reinsurance Recoverable

		Columns															
		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15 & +
		C0800	C0810	C0820	C0830	C0840	C0850	C0860	C0870	C0880	C0890	C0900	C0910	C0920	C0930	C0940	C0950
Rows																	
Prior	R0300																
N-14	R0310																
N-13	R0320																
N-12	R0330																
N-11	R0340																
N-10	R0350																
N-9	R0360																
N-8	R0370																
N-7	R0380																
N-6	R0390																
N-5	R0400																
N-4	R0410																
N-3	R0420																
N-2	R0430																
N-1	R0440	1.603															
N	R0450	4.731															

		Columns
		Year end
		C0960
Rows		
Prior	R0300	
N-14	R0310	
N-13	R0320	
N-12	R0330	
N-11	R0340	
N-10	R0350	
N-9	R0360	
N-8	R0370	
N-7	R0380	
N-6	R0390	
N-5	R0400	
N-4	R0410	
N-3	R0420	
N-2	R0430	
N-1	R0440	
N	R0450	
Total	R0460	

S.19.01.21 – Non-life insurance claims information – 2/3

Net Claims Paid (non-cumulative)

Rows		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15 & +
		C1200	C1210	C1220	C1230	C1240	C1250	C1260	C1270	C1280	C1290	C1300	C1310	C1320	C1330	C1340	C1350
Prior	R0500																
N-14	R0510																
N-13	R0520																
N-12	R0530																
N-11	R0540																
N-10	R0550																
N-9	R0560																
N-8	R0570																
N-7	R0580																
N-6	R0590																
N-5	R0600																
N-4	R0610																
N-3	R0620																
N-2	R0630																
N-1	R0640	99	44														
N	R0650	2.055															

Rows		In Current year	Sum of years (cumulative)
		C1360	C1370
Prior	R0500		
N-14	R0510		
N-13	R0520		
N-12	R0530		
N-11	R0540		
N-10	R0550		
N-9	R0560		
N-8	R0570		
N-7	R0580		
N-6	R0590		
N-5	R0600		
N-4	R0610		
N-3	R0620		
N-2	R0630		
N-1	R0640		
N	R0650		
Total	R0660		

Net Undiscounted Best Estimate Claims Provisions

Rows		0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15 & +
		C1400	C1410	C1420	C1430	C1440	C1450	C1460	C1470	C1480	C1490	C1500	C1510	C1520	C1530	C1540	C1550
Prior	R0500																
N-14	R0510																
N-13	R0520																
N-12	R0530																
N-11	R0540																
N-10	R0550																
N-9	R0560																
N-8	R0570																
N-7	R0580																
N-6	R0590																
N-5	R0600																
N-4	R0610																
N-3	R0620																
N-2	R0630																
N-1	R0640	252	0														
N	R0650	858															

Rows		Year end
		C1560
Prior	R0500	
N-14	R0510	
N-13	R0520	
N-12	R0530	
N-11	R0540	
N-10	R0550	
N-9	R0560	
N-8	R0570	
N-7	R0580	
N-6	R0590	
N-5	R0600	
N-4	R0610	
N-3	R0620	
N-2	R0630	
N-1	R0640	
N	R0650	
Total	R0660	

S.23.01.01 – Own Funds (solo undertaking)

Own Funds

		Columns				
		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Rows						
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	2.550	2.550			
Share premium account related to ordinary share capital	R0030	250	250			
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	0				
Subordinated mutual member accounts	R0050	0				
Surplus funds	R0070	0				
Preference shares	R0090	0				
Share premium account related to preference shares	R0110	0				
Reconciliation reserve	R0130	26.287	26.287			
Subordinated liabilities	R0140	7.000			7.000	
An amount equal to the value of net deferred tax assets	R0160	0				0
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	0				
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230	0				
Total basic own funds after deductions	R0290	36.087	29.087	0	7.000	0
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	R0400					
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	36.087	29.087		7.000	
Total available own funds to meet the MCR	R0510	36.087	29.087		7.000	
Total eligible own funds to meet the SCR	R0540	36.087	29.087		7.000	
Total eligible own funds to meet the MCR	R0550	29.804	29.087		717	
SCR	R0580	14.347				
MCR	R0600	3.587				
Ratio of Eligible own funds to SCR	R0620	252%				
Ratio of Eligible own funds to MCR	R0640	831%				

Reconciliation Reserve

		Columns
		C0060
Rows		
Reconciliation reserve		
Excess of assets over liabilities	R0700	29.087
Own shares (held directly and indirectly)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	2.800
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Reconciliation reserve	R0760	26.287
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	2.726
Total Expected profits included in future premiums (EPIFP)	R0790	2.726

S.25.01.21 – Solvency Capital Requirement – or undertakings on Standard Formula

		Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios
		C0030	C0040	C0050
Rows				
Market risk	R0010	787	787	
Counterparty default risk	R0020	8.037	8.037	
Life underwriting risk	R0030	0	0	
Health underwriting risk	R0040	0	0	
Non-life underwriting risk	R0050	10.407	10.407	
Diversification	R0060	-2.970	-2.970	
Intangible asset risk	R0070	0	0	
Basic Solvency Capital Requirement	R0100	16.261	16.261	

		Value
		C0100
Rows		
Adjustment due to RFF/MAP nSCR aggregation	R0120	
Operational risk	R0130	2.869
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	-4.782
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	0
Solvency Capital Requirement excluding capital add-on	R0200	14.347
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	14.347
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	R0450	
Net future discretionary benefits	R0460	

S.28.01.01 – Minimum Capital Requirement

Linear Formula Component for Non-Life Insurance and Reinsurance Obligations

		Columns
		MCR components
		C0010
Rows		
MCRNL Result	R0010	1.401

		Columns	
		Background information	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Rows			
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050		
Other motor insurance and proportional reinsurance	R0060		
Marine, aviation and transport insurance and proportional reinsurance	R0070		
Fire and other damage to property insurance and proportional reinsurance	R0080		
General liability insurance and proportional reinsurance	R0090		
Credit and suretyship insurance and proportional reinsurance	R0100		
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130	0	11.488
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

Overall MCR Calculation

		Columns
		C0070
Rows		
Linear MCR	R0300	1.401
SCR	R0310	14.347
MCR cap	R0320	6.456
MCR floor	R0330	3.587
Combined MCR	R0340	3.587
Absolute floor of the MCR	R0350	2.500
Minimum Capital Requirement	R0400	3.587

ANNEX – Glossary

ACPR	French Prudential Supervision and Resolution Authority
ADIA	Abu Dhabi Investment Authority
APRA	Australian Prudential Regulation Authority
ARC	Audit and Risk Committee (internal committee)
BaFin	Federal Financial Supervisory Authority in Germany
BPC	Business Planning Committee (internal committee)
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CoSec	Corporate Secretary
CRO	Chief Risk Officer
DGI	Domestic & General Insurance PLC
DGIEU	Domestic & General Insurance Europe AG
DGSFP	Directorate-General of Insurance and Pension Funds, Spain
DGX	Domestic & General Experience (internal project)
DVO	Commission Delegated Regulation (EU) 2015/35
ECAI	External Credit Assessment Institution
ECSC	European Conduct Standards Committee (internal committee)
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
EMOC	European Management Operations Committee (internal committee)
ENID	Events Not In Data
EPPGC	European Product and Pricing Governance Committee
ExCo	Executive Committee (internal committee)
FATC	Finance and Trading Committee (internal committee)
FCA	Financial Conduct Authority, UK
FY	Financial Year
GRC	Group Risk Committee (internal committee)
Group	Domestic & General Group
GPW	Gross Premiums Written
HGB	German Code of Commercial Law
IBNR	Incurred But Not Reported
ICC	Group Investment & Capital Committee (internal committee)
IPT	Insurance Premium Tax
IVASS	Institute for the Supervision of Insurance, Italy
KPI	Key Performance Indicator
KRI	Key Risk Indicator
MaGo	BaFin's Minimum Requirements on the System of Governance of Insurance Undertakings
MCR	Minimum Capital Requirement
OEM	Original Equipment Manufacturer
ORSA	Own Risk and Solvency Assessment
PRA	Prudential Regulation Authority, UK
QRT	Quantitative Reporting Template
Q&V	Quality Verification
RCSA	Risk and Control Self-Assessment

REMCO	Remuneration Committee (internal committee)
RSR	Regular Supervisory Report
SCR	Solvency Capital Requirement
SFCR	Solvency and Financial Condition Report
T&CIOC	Technology and Change IT Oversight Committee (internal committee)
UK	United Kingdom
UPR	Unearned Premium Reserve
USP	Undertaking Specific Parameters
VAG	German Insurance Supervision Act
VAT	Value Added Tax
VCP	Value Creation Plan
WHO	World Health Organization
1LOD	First Line of Defence
2LOD	Second Line of Defence
3LOD	Third Line of Defence